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Disarmament accord threatened by French divisions, Page 16

World news

Business summary

Barbie in court walk-out protest

Klaus Barbie walked out of the French courtroom where he is being tried for crimes against humanity, and demanded to be taken back to his prison.

The former Gestapo officer claimed he was a Bolivian citizen who had been kidnapped and was now illegally held in France.

Barbie's statement caused upheaval in the court, and Judge Andre Cerdini suspended the hearings, in their third day. Hearings resumed later in the day without Barbie. Page 2

Arrests in Punjab

Security forces in Punjab arrested 175 militant Sikhs including a state cabinet minister after New Delhi imposed direct rule on the north Indian state. Page 4

Autonomy law plan

The Sri Lankan Government plans to pass a law giving limited provincial autonomy to minority Tamils to prove its sincerity in implementing a political solution to the four-year-old Tamil rebellion, Finance and Planning Minister Ronnie de Mel said. Page 4

Iceland talks fail

Progressive Party leader Steingrimur Hermannsson gave up his attempt to form a coalition Government in Iceland. Page 3

Iraqi 'air raids'

Iraqi jets attacked industrial targets at Esfahan and Tabriz in their deepest penetration raids into Iran for several weeks, the Iranian newsagency Irna reported.

Aircraft downed

Rebels in southern Sudan said their guerrilla forces shot down a Sudanese air force Hercules transport aircraft carrying two platoons of troops near the south-western town of Wau on Tuesday.

Forest fire rages

A week-old forest fire which has killed 182 people in north-east China and caused losses of at least 1bn yuan ($270m) might continue for another three to five days, national radio said.

Chemical weapon use

A United Nations panel of experts has once more unanimously determined that Iraq employed chemical weapons in its war with Iran in what its report calls "one of the gravest infringements of international norms." Page 4

Star Wars tests

A US study shows the 1972 Antiballistic Missile treaty does not bar testing of Star Wars components, President Reagan said. Page 4

Seoul police swoop

Violence erupted on a Seoul campus again with more than 1,000 students battling riot police who had arrested 36 students for staging a protest against President Chun Doo Hwan's Government.

Kenya police move

Kenya, under US criticism for alleged human rights abuses, has begun a clean-up of its entire police force to stop cases of police torture, Foreign Minister Elijah Mwangale said.

Tribal kidnapping

Tribal separatist guerrillas in the north-eastern Indian state of Tripura kidnapped a state assembly member and said he would be tried for crimes against tribesmen.

Soviet shuttle soon

The Soviet Union is to launch its first space shuttle soon, Tass newsagency said.

European group may cut 18,000 jobs

NEW EUROPEAN semiconductor company formed through merger of units of SGS of Italy and Thomson of France may have to cut workforce by 18,000, or 10 per cent. Group managing director Pasquale Pistorio said number of jobs lost would depend on the speed with which the joint company expanded.

WALL STREET: The Dow Jones industrial average closed 7.08 up at 2,329.68. Page 40

LONDON: Early demand for blue chips buoyed equities although gains were not extended later. Gilts opened firm but eased slightly before the close. The FT-SE 100 index added 20.1 to hit a new peak of 2,163.4. The FT Ordinary index closed 10.1 up at 1,680.5. Page 36

TOKYO: A Finance Ministry request for restraint in foreign exchange dealing surprised the market and spurred a drop in prices. The Nikkei average fell 172.66 to 24,363.19. Page 40

DOLLAR closed in New York at DM 1.7945; SFr 1.4755; FFr 5.9880; and Y140.35. It rose in London to DM 1.7900 (DM 1.7880); to SFr 1.4710 (SFr 1.4670); to Y139.70 (Y139.50); but fell to FFr 5.9700 (FFr 5.9750). On Bank of England figures the dollar's exchange-rate index rose 0.3 to 100.4. Page 29

STERLING closed in New York at $1.6695. It rose in London to $1.6715 ($1.6700); to DM 2.9925 (DM 2.9850); to FFr 9.98 (FFr 9.9775); to SFr 2.46 (SFr 2.45); and to Y233.50 (Y233.00). The pound's exchange-rate index rose 0.3 to 73.5. Page 29

GOLD fell $0.25 on the London bullion market to close at $461.25. It remained unchanged in Zurich at $460.50. In New York the June Comex settlement was $460.00. Page 28

LEGISLATION approved by the Lisbon Government will end the laborious process by which stocks and bonds have to be transferred physically from a seller's to a buyer's bank each time a transaction occurs. Page 40

DANZAS, the world's leading international forwarding agent, announces a drop in group turnover for 1986 from SFr 5.8bn to SFr 5.6bn ($3.8bn). Page 37

PREUSSAG, the West German metals and mining group, will not pay a dividend for 1986 after another year of difficult trading. Page 17

GIANT Group, a small US west coast investor group led by Mr Burt Sugarman, a Hollywood producer, has acquired a 6.3 per cent stake in Clark Equipment, the world's biggest fork-lift truck manufacturer and says it might seek control of the company. Page 18

BANQUE Brussels Lambert, the second-largest of Belgium's commercial banks, said its gross operating profit soared 40 per cent in the half year ending March 31. Page 17

HAVAS, the French state-owned advertising and tourist group, will be the next company on the Government's privatisation list. Page 17

AMOCO, the US oil group, has moved closer to its C$5.1bn (US$3.8bn) takeover of Dome Petroleum. Page 17

MIDLAND Bank of the UK has won preliminary approval from Brazil's central bank for the formation of Midbank Banco de Investimento, a joint venture investment bank with two Brazilian partners. Page 18

BAYER, the West German chemical group, said it was optimistic about maintaining results at last year's high level after a slight profits rise in the first quarter. It expects a tougher year, however. Page 17

ALCAN Aluminium is going ahead with construction of the 200,000 tonnes yearly Laterriere smelter north of Quebec City, but in three phases in order to preserve maximum flexibility. Page 37

TIFFANY, the fashionable New York-based jewellery and luxury goods retailer, reported first-quarter net profits of $1.02m, or 12 cents a share, compared with a loss of $1.31m, or 18 cents, a year earlier. Page 17

OECD ministers pledge to cut farm subsidies

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN PARIS

GOVERNMENTS of industrial nations gave a broad commitment yesterday to accelerate the process of dismantling farm subsidies and of liberalising farm trade.

In a communiqué released after two days of ministerial talks at the Organisation for Economic Co-operation and Development (OECD), the 24 member governments said they were pledged to "a progressive reduction of assistance to and protection of agriculture" across all countries and commodities.

The agreement came as West Germany indicated for the first time in wider discussions on the international economy that it might be prepared to take further action this year to stimulate its economy if its growth rate continued to alter.

The accord on agriculture which was hailed by the US as a major breakthrough and by the European Community as an important step forward, aims to give political impetus to the current talks in the Uruguay round of the General Agreement on Tariffs and Trade (Gatt).

It sets as its long-term goal the progressive introduction of market forces into both national and international agriculture policy and points to a gradual break in the link between income support for farmers and agricultural production incentives.

The Reagan Administration may back an increase in the World Bank's lending powers following a US failure to win voting reforms which would have given it greater control over the Inter-American Development Bank. Page 16; OECD background, Page 2; Editorial comment, Page 14

Despite tough negotiations on the final wording of the agricultural section of the communiqué – with West Germany and Japan concerned to water down some of the commitment – the eventual document won almost universal praise.

Australia, the US and Canada, which have been in the forefront of demands for "disarmament" in international farm trade, were particularly optimistic.

Mr James Baker, US Treasury Secretary, described it as "a major step forward towards multilateral agreements on agricultural reform." Mr Alan Clark, Britain's Trade Minister, termed it "a significant advance."

There were clear indications during the two days of talks, however, that translating the pledges into action during the Uruguay round was likely to prove tortuous and protracted. West Germany, which in current European Community farm price talks is vigorously opposing any reduction in cereals prices, stuck to its position that attempts to dismantle subsidies could not include nominal price cuts for its farmers.

Mr Mutsuki Kato, Japan's Agriculture Minister, made it clear that his Government remained concerned about increasing the country's reliance on imported food. In those circumstances, efforts to liberalise agriculture had to be seen in a medium to long-term perspective.

A new OECD system of measuring the relative levels of subsidy in different nations also received only qualified approval. The system involves the calculation of so-called Producer Subsidy Equivalents and Consumer Subsidy Equivalents which equate farm support programmes to the value of output.

Calculations presented to ministers yesterday indicate that in 1985 Japanese subsidies represented about 70 per cent of the value of output of key agricultural commodities. The comparable figure for the European Community was 40 per cent and for the US 20 per cent.

A ministerial commitment in the communiqué to roll back protectionism in other areas also had some of its gloss removed by a series of ex-

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Japan urges restraints on currency speculation

BY IAN RODGER IN TOKYO

THE JAPANESE Ministry of Finance called in the chief executives of more than 20 leading Japanese banks, 10 securities companies and 10 life and casualty insurance companies yesterday morning to ask them to instruct their foreign exchange dealers "to refrain from speculative foreign exchange transactions."

Separately, the ministry also talked to 15 foreign banks operating in Tokyo.

In the wake of the extraordinary and highly publicised arm-twisting exercise aimed at preventing a further fall in the value of the dollar, the dollar strengthened slightly in Tokyo.

Separately, the ministry of international trade and industry called in chief executives of the leading trading and manufacturing companies to convey the same message. For many of these companies, speculative trading in currencies and other instruments has become a major source of profits in the past year.

US semiconductor manufacturers have agreed to set up a research co-operative in a bid to regain the lead in chip technology. The project, Sematech, is expected to cost $3bn over six years, and the industry expects the Government to contribute half of that. Background, Page 6

Finance Ministry officials said there was no question of forcing institutional investors to refrain from speculative trading. However, the Japanese sense of duty is such that a highly publicised appeal of this kind is most unlikely to be ignored. Foreign exchange dealers said later in the day they felt very inhibited about selling dollars. Some predicted that the arm-twisting could cause Japanese investors to be too hesitant about buying dollar securities.

Officials later told reporters they had become convinced that speculative activity was playing a significant part in the instability of foreign exchange markets recently, and it was therefore appropriate to ask the leading market participants to restrain their speculative activity.

The Government was committed to the liberalisation of Japanese financial markets and the internationalisation of the yen.

"But in order to keep the market as free as possible, the judgment of the market participants is very important, especially when market turbulence is having such a mischievous effect on the economy," said Mr Makoto Ulsumi, director-

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Money markets, Page 29

Australia unveils biggest public spending cuts for 30 years

BY CHRIS SHERWELL IN CANBERRA

MR PAUL KEATING, Australia's ebullient treasurer, unveiled a catalogue of swingeing spending cuts and other measures yesterday to slash the Government's budget deficit in the coming financial year by A$4bn ($2.9bn).

The measures are designed to try to put Australia's floundering economy back on course. They entail an estimated real reduction of 2 per cent in Government spending, the biggest in 30 years, and appear to meet some of the tough demands of the business community and financial markets.

Mr Keating said in his statement to parliament and the nation that his mini-budget marked the culmination of the most intensive and exhaustive review of government programmes in living memory. For three months Australia's "Razor Gang" of ministers has been scrutinising departmental budgets in the hunt for cuts.

Some A$2.84bn of these cuts will come through a A$1bn reduction in federal grants to state governments and an array of cuts covering defence, health and welfare spending.

Another A$1bn or more will come in proceeds from the sale of government assets, which will be used to reduce government debt. The removal of certain tax exemptions for government agencies will bring in a further A$410m.

But opposition spokesmen decried the quality of the cuts, saying Mr Keating could not be sure of achieving all the savings outlined.

The measures apply to the 1987-88 financial year beginning on July 1. Another A$2.8bn in cuts applies to 1988-89. Further action is expected in the main budget in August, but yesterday's statement laid the groundwork and indicates that the Federal Government is likely to demand lower funding and borrowing ceilings from the state governments at a crucial meeting later this month.

Without these decisions, Mr Keating said, government spending in 1987-88 would have risen by more than A$7bn to A$82.09bn, more than A$1bn higher than expected less than six months ago. The cuts are projected to reduce this to A$78.45bn.

Although no figure for the budget deficit was given, Mr Keating publicly committed the Government to reducing it to less than 1 per cent of gross domestic product.

From his parliamentary statement and accompanying inflation forecasts, the implied figure for the deficit is A$2.9bn or less.

The deficit for the current year will be less than A$4bn, which is above the forecast last August of A$3.5bn but better than recently expected because of higher-than-anticipated tax revenues.

Reagan denies asking Saudis for Contra aid

By Lionel Barber in Washington

PRESIDENT Ronald Reagan admitted yesterday that he discussed secret Saudi contributions to the Nicaraguan Contra rebels in a private meeting with King Fahd in 1985.

But Mr Reagan denied soliciting the money – which might have been deemed illegal under the 1985 Congressional ban on official US military aid – and said that King Fahd had raised the subject.

Mr Reagan's extraordinary step of discussing in public what he said to King Fahd and what he later wrote down in his private diary was prompted by testimony this week by his former top foreign policy adviser, Mr Robert McFarlane, to the Iran-Contra hearings on Capitol Hill.

The White House has been unnerved by charges that US officials, unwittingly or otherwise, may have broken the law in their efforts to help the Contras during the Congressional ban on direct and indirect US military aid between October 1984 and October 1986.

President Reagan – who once described the Contras as the "moral equivalent of the founding fathers" – was kept intimately informed about the Contra cause, according to testimony yesterday by Mr McFarlane.

He told the joint House-Senate panel that he made "dozens" of reports to the President on the Contras, providing information on their military progress against the Sandinista government, the inclusion of new political figures in the Contra movement, and US intelligence briefings on Central America.

Congressman Edward Boland, the Massachussetts Democrat who framed the Congressional ban on official US Contra aid, asked Mr McFarlane if any activity, particularly by Lt Col Oliver North, the sacked White House aide, violated the law.

Mr McFarlane said that some activities, including private fund-raising, and contacting third party donors "could have involved breaches."

Senator Orrin Hatch, the Utah Republican, asked Mr McFarlane repeatedly about the need to support the Contras to stifle Communism in Central American. "Isn't it a fact ...," he said dozens of times. Mr McFarlane, staring at the television cameras a couple of feet away, said "yes, sir," and "no, sir" almost 60 times in 15 minutes of questions.

Earlier story, Page 4

Setback for US insider trading probe

BY JAMES BUCHAN IN NEW YORK

THE FIRST criminal trial arising from Wall Street's insider trading scandal is likely to begin next week after a New York judge rejected last-minute efforts by the prosecution to gain time to prepare a stronger case.

The surprise decision by Judge Louis Stanton that the Government must proceed with the trial of three senior Wall Street traders next Wednesday is the first big setback for the official inquiry into the scandal, which has racked up some spectacular successes since the arrest of Mr Dennis Levine on insider trading charges shook the securities industry exactly a year ago.

The court ruling, citing the defendants' Sixth Amendment rights to a speedy trial, raises doubts about the strength not only of the Government's case against the three traders but its well publicised investigation into Drexel Burnham Lambert, the aggressive and controversial investment bank.

The three men are Mr Robert Freeman, the partner in charge of risk arbitrage, or speculation in takeover stocks, at Goldman Sachs; Mr Richard Wigton, former head of arbitrage at Kidder Peabody; and Mr Timothy Tabor, a former Kidder arbitrageur. The men were arrested and led away in handcuffs on February 12 and indicted in early April on charges that they had traded on inside information in two stocks.

All three men pleaded not guilty. However, amid increasing signs that the prosecution is badly overloaded by the complexity of the case, the US Attorney asked to delay the trial until July 20 to give time for it to seek an expanded indictment, involving nine stocks.

The judge's decision is a blow to Mr Rudolph Giuliani, the US district attorney. Mr Giuliani has so far extracted 10 guilty pleas from Wall Street traders and bankers, most spectacularly from Mr Ivan Boesky, the arbitrageur, last November, but he has yet to bring a case to a trial.

The defendants have hired some of the best criminal lawyers in the US, and Mr Freeman is continuing to receive support from Goldman Sachs, one of the most powerful Wall Street investment banks.

The prosecution was bitterly criticised by defence lawyers in court for "publicly humiliating" their clients with February's dramatic arrests. Mr John McEnany, assistant US district attorney, tacitly admitted the arrests were a mistake when he said: "We can be faulted for trying to proceed too fast." He argued that a May 20 trial would provide the defendants with an "unwarranted tactical advantage."

Defence lawyers, who were very pleased by yesterday's decision, have repeatedly attacked the government's case on the grounds that it is based solely on self-serving evidence from Mr Martin Siegel, a former Kidder banker who has confessed to insider trading ends.

UK to give go-ahead for Airbus funding

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

THE British Government is expected this afternoon to make its long-awaited announcement of launch aid for British Aerospace's involvement in the next stage of the European Airbus project.

After lengthy negotiations between the company and the Department of Trade and Industry, proposals have finally been agreed to provide about £450m ($750m) of grants and loans towards the £850m cost of British involvement in making the wings for the medium-ranged A330 and the long-ranged A340 Airbus in conjunction with other European countries. The company originally sought £750m government aid and argued that without substantial backing it would not be able to participate in the project.

The final package is understood to involve tight repayment terms for the loans following close questioning by the Treasury and members of Mrs Margaret Thatcher's Downing Street Policy Unit about the viability of the project, particularly the A340 where there is tight competition from the US.

There has been considerable lobbying by Conservative as well as opposition MPs in support for the project, which will affect both British Aerospace and its suppliers in a sizable number of Conservative-held marginal seats.

Despite the lengthy, and unusually public, nature of the negotiations it would have been politically very difficult for the Government to have turned down the British Aerospace application and thus to take the company out of a major civilian aircraft project.

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ISLAND PARADISE FACING A SEA OF TROUBLES

US drug enforcement agencies will be among those watching the outcome of *elections called by Bahamas Prime* Minister Lynden Pindling. Page 4

EUROPEAN NEWS

Barbie refuses to appear in court again

BY GEORGE GRAHAM IN PARIS

KLAUS BARBIE yesterday walked out of the French courtroom where he is being tried for crimes against humanity and refused to appear in court again.

Barbie demanded to be taken back to his prison cell, claiming he was a Bolivian citizen who had been kidnapped and was now illegally held in France.

"I do not intend to continue to appear before this court," Barbie said, reading from a prepared text.

His statement caused upheavel in the court, and Judge André Cerdini suspended the hearings, already in their third day. Proceedings resumed later without Barbie.

Mr Pierre Truche, the prosecutor, called Barbie "a shameful Nazi who does not even dare look at his own past and explain himself."

"For the honour of French justice, we gave him the chance to explain himself in front of jurors who are not old enough to have experienced these events. Now, as ever, it is 'Herr Nein' who stands before us," the prosecutor said.

Mr Jacques Verges, Barbie's defence lawyer, replied that his client did not wish to subject himself to a lynch mob.

The interruption caused upheaval in the hall, where Judge Cerdini has been noticeably annoyed by the continual movement and noise among the hundreds of spectators and journalists crowding the specially-built temporary courtroom.

"Please, we are not at the theatre," he complained when spectators applauded a lawyer representing one of the associations which have joined the prosecution as associated plaintiffs.

Barbie's walk-out follows the same tactics as those used by Mr Verges's last major client, the Lebanese terrorist Georges Ibrahim Abdallah, who walked out of his trial in March after reciting a lengthy denunciation of the court.

The defendant has the right under French law to ask to be taken back to his cell, leaving his defence to his lawyer.

The judge did not yesterday use his right to force Barbie to return. The day's proceedings will have to be relayed to him every evening by a court clerk.

Barbie had earlier defended himself against charges of torture, murder and deportation of Jews and of members of the French resistance movement.

"I got the impression you were trying to make me out as the master of Lyon from 1942 to 1944. But we were just a commando unit, and we were subordinate to the German army, the Wehrmacht," Barbie said.

Barbie, 73, told the court: "I cannot explain National Socialism to you in two words."

EVEN TOUGHER CURBS ON EC FARM SPENDING URGED

MEPs back overhaul of finances

BY QUENTIN PEEL IN STRASBOURG

THE EUROPEAN Parliament yesterday voted by a large mapority in favour of the plans for a radical overhall of EC financing, including a big switch from agriculture to regional and social spending, proposed by the European Commission.

However, the MEPs called for even tougher restrictions on farm spending, and more generous and coherent policies in the poorest outlying areas of the Community, than suggested in the plans put forward by Mr Jacques Delors, the Commission president.

The instructed their president, Lord Plumb, to present their conclusions in person to the EC summit next month, in an effort to raise the pressure on the member states to settle their deep differences over the need for such reforms.

The MEPs gave their blessing, by 225 votes to 38, with 63 abstentions, to the commission's bid to increase the absolute amount of cash available to the EC budget to 1.4 per cent of gross national product in the Community—compared with about 1 per cent at present.

However, they also approved a special amendment to their report, insisting that none of the new cash should be spent on farm price support—and that there should be a legal clause in any deal to that effect.

THE CENTRAL BANK governors of Spain and Portugal yesterday spelt out target dates for bringing their respective currencies into the exchange rate mechanism of the European Monetary System, writes Quentin Peel.

Mr Mariano Rubio, governor of the Bank of Spain, suggested that 1989 as the target date for the peseta to join the EMS, which links eight of the 12 EC currencies, with the most notable exception of the pound sterling.

In a speech to members of the European Parliament, he said that such a decision would obviously depend on the government of the day, and on prevailing economic circumstances. But he hoped that by 1989 Spain would have completed the economic adjustments necessary to bring its monetary policy in line with the other member states.

Mr Jose Alberto Tavares Mareira, the Bank of Portugal governor, suggested a longer timescale of 1992 as "a realistic date" for bringing the escudo into full membership.

Both governors insisted that they would ask for the widest measure of divergence within the exchange rate mechanism allowed to other currencies. Italy is currently allowed to let the lira move in a 6 per cent band in the system, compared with only 2.5 per cent for other currencies.

Mr Tavares Mareira also insisted that Portugal would not join until the British Government had brought sterling into the mechanism. That decision is believed by many officials in Brussels to be imminent

They also backed a rapid switch in spending from the price-support and export-subsidy system, to far more direct income support for small farmers. Income support should tax 25 per cent of available cash as soon as possible, and 50 per cent in the medium-term, they said.

On regional and social policies, the MEPs concluded that a doubling in funds, as proposed by the Commission but strongly opposed by member states like Britain, West Germany and France, was the minimum necessary, and all other policies should be co-ordinated to help the poorest regions catch up the wealthy centre.

The majority view stressed the need for more social policies co-ordinated in Brussels, and closer monetary co-ordination—the latter strongly endorsed by Mrs Delors himself.

He urged the need for the reforms as one part of a European economic growth strategy, stressing the inability of both the US and Japan to expand their economies as rapidly as could the EC states.

The significant number abstaining in the vote included the majority of the European Democratic Group, led by British Conservatives, who argued that it put too much stress on budget spending, and too little on the process of market liberalisation. British Labour MEPs divided between abstentions and outright rejection of the report, which was carried by the alliance of other Socialists, Christian Democrats and Liberals.

Mr Delors warned Irish MEPs that they could not expect any renegotiation of the Single European Act — the reform of the Treaty of Rome from which his financial reforms stem — if Ireland were to vote against it in the forthcoming referendum. He said it was not intended "in any case" to renegotiate the Single Act, whatever the result of the referendum being held to allow the necessary modification of the Irish constitution.

Call to drop taxes on securities deals

BY TIM DICKSON IN BRUSSELS

THE EUROPEAN Commission yesterday unveiled a plan to abolish taxes on securities transactions throughout the European Community.

The proposal, which must still be approved by ministers is designed to harmonise tax throughout the Community. It is part of the Commission's drive to create a barrier-free common market in goods and services by 1992.

The proposed directive is likely to be of most interest to Britain, whose stamp duty raised almost £90m in government revenues last year or the equivalent of nearly 1p on income tax.

The Conservative Government is firmly committed to the liberalisation of capital movements—an objective which the latest proposal is designed to speed up—but Treasury officials are also bound to take into account the revenue implications of supporting the Brussels initiative.

The Commission's new directive, which will not be discussed by finance ministers until the European Parliament and the Economic and Social Committee have given their opinions, replaces a previous proposal to harmonise securities transaction taxes which was first presented in 1976. Discussion between memberf states have become badly bogged down in technical detail with most member states (notably Britain and Ireland) raising objections.

Officials at the Commission feel that straightforward abolition, while more radical, may be simpler and point out that some member states are taking action unilaterally to dismantle such levies range between 0.5 and 5 per cent. The Belgialn Government, for example, has recently passed a law which will exempt non-residents, while the authorities in West Germany are also considering changes.

Italy lifts restrictions on foreign securities

By John Wyles in Rome

ITALY TOOK a key step towards opening up its financial system yesterday by lifting a long-standing restriction on the private purchase of foreign securities.

Dr Mario Sarcinelli, the Foreign Trade Minister, yesterday signed a decree scrapping the requirement that a non-interest bearing deposit equal to 15 per cent of the value of foreign securities must be lodged with the Bank of Italy.

The move brings Italy into compliance with EEC directives well in advance of the December 19 deadline set last year by the European Commission. With other, more minor, restrictions that were also lifted yesterday, officials claim that Italy is operating as free a foreign exchange regime as France.

Dr Sarcinelli's initiative is unusually enterprising for a minister in a caretaker government. A former top official of the Bank of Italy, the was appointed at the end of last month as a "technician minister" on secondment from his post as director-general of the Treasury.

This is judged to be a favourable time to free the purchase of foreign securities because of the growing seasonal impact on Italy's balance of payments and on the lira of tourism receipts.

It now seems clear that last Friday's significant fall in the lira against other major currencies was encouraged by the central bank partly to alleviate the impact of yesterday's announcement. In the event, however, it had been largely discounted by the markets.

Previously, only mutual funds have been allowed to acquire foreign shares and bonds without paying the deposit, although their holdings were limited to 10 per cent of their portfolios. A sudden surge in Italian demand for foreign securities is unlikely, however, because the securities industry is not yet fully geared up to marketing them.

Other restrictions lifted yesterday will allow corporate groups to open foreign exchange accounts on a group rather than company basis. In addition, they will have total freedom to manage their foreign exchange accounts which can be maintained for 120 instead of 60 days before liquidation.

Some controls will remain on forward foreign exchange transactions as will the prohibition on all Italians from having overseas bank accounts. This will be tackled by a complete revision of the foreign exchange law, due to be completed by October, on the basis that everything is permissible unless specifically forbidden instead of the reverse philosophy which underpins the existing law.

Irish bank foresees low growth

By Hugh Carnegy in Dublin

THE DEFLATIONARY effect of an austere budget will mean only marginal economic growth in Ireland this year, with employment levels continuing to fall. But restrictive measures are essential to correct severe imbalances in the public finances, according to the Irish central bank.

"It is necessary to accept a degree of deflation now to facilitate greater growth in the future, to avoid an even larger deflationary adjustment eventually," the bank said in its annual report published yesterday.

It welcomed the new Fianna Fail Government's cost-cutting budget which targets a lower gap between government spending and revenue and lower exchequer borrowing relative to gross national product, than for six and 10 years respectively.

However, the bank warned that with the current budget deficit still planned at nearly 7 per cent of GNP and exchequer borrowing at more than 10 per cent, unpalatable fiscal measures must be maintained in subsequent years.

It was vital that the Government should stick to its course to engender the market confidence needed to get interest rates down and stimulate private-sector growth.

The chief battle at present over the budget is in the health service. Mr Charles Haughey, the Prime Minister, is under heavy pressure to curb a programme of spending cuts that has prompted large public demonstrations and serious dissent within Fianna Fail.

Yesterday, he reiterated the Government's commitment to the cuts and censured three of his backbenchers for opposing them.

Other assessments predict growth this year of at least 1 per cent. Fianna Fail certainly hopes that a restoration of confidence in the private sector will spur better performance than the central bank foresees.

Knives out in Bonn coalition over scrapping missiles

BY PETER BRUCE IN BONN

CONSERVATIVES in the West German coalition are threatening a fierce political assault next week on Mr Hans-Dietrich Genscher, the Foreign Minister, because of his continuing support for accepting the Soviet offer to remove all shorter-range intermediate nuclear (INF) missiles from Europe.

Mr Genscher and his Liberal Free Democrats (FDP) are openly at odds with Chancellor Helmut Kohl's Christian Democrats (CDU) who want to accept only an older offer to scrap missiles with a range of more than 1,000 km and to negotiate equal ceilings in ranges below that.

Criticism of Mr Genscher by the CDU has been relatively muted, however, because important state elections take place in the Rhineland Palatinate and in Hamburg on Sunday. The CDU is trying to avoid accusations that its position threatens prospects for disarmament in Europe.

After Sunday no immediate domestic political obstacles exist to prevent the CDU, especially Mr Manfred Woerner, the Defence Minister, Mr Alfred Dregger, the party's floor leader, and Mr Volker Ruehe, its foreign affairs spokesman, from raising the profile of its campaign to stop the so-called "double zero" option being agreed between the US and the Soviet Union in the INF talks in Geneva.

There is fairly broad consensus within the CDU on opposing the complete abolition of shorter range missiles and party officials say that Mr Genscher will have to "step into line" in order to avoid attack next week.

He is unlikely to do so, although Foreign Ministry officials say there are ways in which the FDP and CDU positions can be "harmonised." Nato has no shorter range (500 km-1,000 km) missiles at the moment and Mr Ruehe, for instance ,has hinted that he might accept simply the option to install new shorter range weapons to match an agreed ceiling with the Soviet Union.

Robert Mauthner, Diplomatic Correspondent, adds: Mr Ruehe explained his party's strong reservations about the double zero option during a 35-minute meeting with Sir Geoffrey Howe, the British Foreign Secretary, in London yesterday.

He said after the meeting that he expected Bonn to adopt its final position on the Soviet offer to abolish all longer- and shorter-range nuclear missiles in Europe by the end of this month or the beginning of June after full consultations with its allies. He stressed particularly the importance of an agreement between West Germany, Britain and France on the subject.

"If we agreed to a double zero option it would leave us as the only nation in central Europe in which all the remaining nuclear weapons deployed on its territory (up to a range of 50 km) would also be used only on German soil, whether west or east."

"The shorter the ranges, the deader the Germans, sums up the situation concisely, Mr Volker said.

He also underlined an aspect of the problem which was not generally understood in other countries, namely that a double zero solution would undermine the broad West German consensus on the need for nuclear deterrence. There was therefore a real danger that the adoption of the double zero solution could lead to the "decoupling" of West Germany from its European partners.

Rome ends monopoly on foreign radio broadcasts

BY OUR ROME CORRESPONDENT

THE ITALIAN Constitutional Court yesterday broke the national broadcasting service's monopoly on overseas radio transmissions. The judgment means that Italy's private stations can launch commercial international stations capable of rivalling Radio Monte Carlo or Radio Luxembourg.

Having opened the way to private radio and television stations in Italy 11 years ago, the Court has remained faithful to the view that a monopoly by RAI, the state-owned radio and television service, breaches the Constitution's freedom of information provisions.

However, the judges have admitted that pluralism may have its limits in the international sphere and that private stations broadcasting abroad must honour Italy's international obligations. This could mean limits on "certain types of "transmisions" which the Government might judge as compromising Italian foreign policy or likely to draw protests from countries which are the targets of transmissions.

The Court, therefore, recommends a system of licences "which could be denied or withdrawn for technical reasons or for reasons to do with international relations."

OECD MINISTERIAL MEETING IN PARIS

Baker gives pledge on deficit cut

By Philip Stephens, Economics Correspondent, in Paris

MR JAMES BAKER, the US Treasury Secretary, yesterday promised a $20bn reduction in the US budget deficit for 1988 as the absolute minimum that the Administration expected to achieve.

Speaking at the annual meeting of the Organisation for Economic Co-operation and Development, he acknowledged that for 1988 the US was unlikely to meet the deficit-reduction target laid out in the Gramm-Rudman-Hollings balanced budget resolution.

He also warned that any Soviet-US arms control pact this summer could push up US defence spending in the short term because of the higher cost of supporting stronger conventional forces.

The Treasury Secretary, however, insisted that the Administration had not abandoned the Gramm-Rudman-Hollings' targets for the medium-term. Next year, even if President Ronald Reagan accepted the spending proposals put forward by the Democrat majority in Congress, the deficit would be cut by $20bn.

That would bring it down to around 3.5 per cent of gross national product compared to 3.9 per cent in the current fiscal year and 6.3 per cent in 1983.

Such a reduction would represent a substantial contribution towards meeting US commitments made at February's Paris meeting of leading industrialised countries. At those talks governments agreed to seek to stabilise the value of the dollar on foreign exchange markets, a commitment that Mr Baker reaffirmed yesterday.

Governments emphasise co-operation for economic growth

BY PHILIP STEPHENS IN PARIS

THE ORGANISATION for Economic Co-operation and Development said yesterday that its 24-member governments had agreed to strengthen co-operation to promote economic growth, to reinforce ecorts to reduce trade imbalances and to seek stability on foregn exchange markets.

A communique released after two days of ministerial talks also pledged that governments would seeg to reverse recent trends towards protectionism and to begin the process of dismantling agricultural subsidies and liberalising farm trade.

The ministers outlined a number of key priorities for macroeconomic policy in the leading industrial nations in order to strengthen the prospects for stable and sustainable growth; to reduce substantially the levels of unemployment — unacceptably high almost everywhere; to correct the massive current account imbalances ofthe major countries: to consolidate the improvement in exchange rate configurations while achieving greater stability; and to improve the economic performance of developing countries.

In particular, the communique says, governments will strive for the ecective implementation of February's Louvre Agreement, continuing to review policy and, if necessary, introducing further measures to reinforce co-operation.

For the US, the key priority is to achieve further reductions in its budget deficit. "Holding firm to this course is essential for external and domestic reasons," particularly to ensure moderate interest rates and stable exchange rates.

The main objective for Japan is to achieve stronger growth, with domestic demand increasing more rapidly than output, accompanied by rapid growth in imports. The communique welcomes Japan's commitment to "substantial fiscal and other measures to strengthen the growth of domestic demand" and its pledge to further improve access for foreign goods to its market.

In West Germany, the growth of domestic demand, in particular private investment, must exceed "substantially" the growth of potential output, the communique says. The Bonn Government acknowledges that, should there be a serious risk to sustained expansion, it would review its medium-term plans for tax cuts and the reduction of subsidies.

Overall, governments agree that monetary policies, supported by fiscal policies, should remain consistent with low inflation objectives and real growth potential. They should also contribute to the orderly behaviour of exchange rates.

"In view of the outlook for low inflation in many countries a further decline in interest rates in these countries—in particular a market-led decline of long-term rates—would be helpful," the communique adds.

Strengthened co-ordination of macro-economic policies should be buttressed by greater efforts to liberalise markets, remove structural rigidities and phase out industrial subsidies. "These compound current macro-economic problems and retard growth. Increasing competition in product markets, responsiveness in factor markets and effectiveness in the public sector will contribute significantly to grow potential in all countries."

In a section on trade policies, the ministers say that: "It is of paramount importance to reverse recent trends towards more restrictive trade measures, notably of a bilateral or discriminatory nature." In coming months OECD nations will table comprehensive proposals for trade liberalisation in the context of the Uraguay round of the General Agreement on Tariffs and Trade.

The communique says that gradual reform of agriculture has as its eventual aim: "to allow market signals to influence by way of a progressive and concerted reduction of agricultural support . . . the orientation of agricultural production; this will bring about a better allocation of resources which will benefit consumers and the economy in general."

It acknowledges, however, that in embarking on such a programme Governments may give consideration to social and other concerts, such as food security, environment and protection of overall employment. At the same time Governments are to retain flexibility in choosing the means to implement reform.

The ministers said that the Uruguay round will be of decisive importance in securing agricultural reform and in breaking down the present barriers to farm trade. In parallel: "In order to permit a de-escalation of present tensions . . . OECD governments will carry out expeditiously their standstill and roll-back commitments."

This will involve avoiding any actions which would stimulate production in surplus agricultural commodities and in isolating the domesti cmarket further from international competition.

Report sounds warning on developed world's farm surpluses

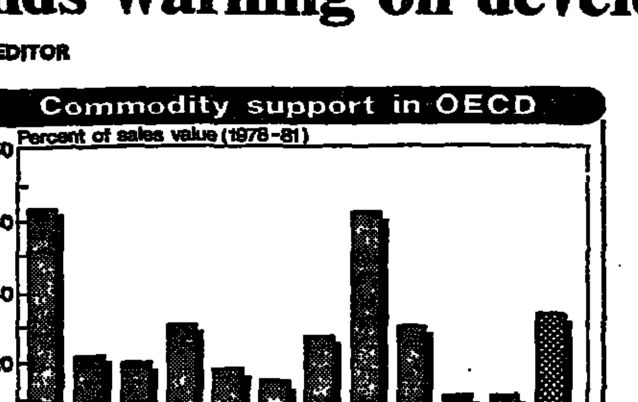
BY MAX WILKINSON, RESOURCES EDITOR

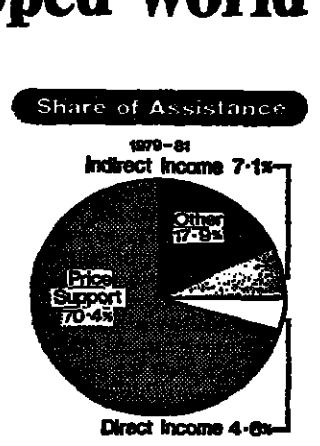
WORLD MARKETS can no longer absorb the over-capacity of the developed world's agricultural sector, and the outlook is bleak if action to curb surplus production is not taken, says a report published today by the Organisation for Economic Co-operation and Development.

The report provides a detailed analysis of the ways in which agricultural support programmes in the major producing and consuming countries increase trade tensions, worsen international price fluctuations, depress economic growth, lead to self-defeating retaliatory measures, harm the Third World and are not very effective in protecting farm incomes.

The researches bythe OECD staff show that total agricultural support amounts to more than a third of the value of production in the industrialised countries, with the bulk of it concentrated in the main producing and consuming areas of the US, the EC and Japan.

Total subsidies, including price support, income support and indirect subsidies, are greatest for dairy products and rice where they amount to about two-thirds of the total value of the produce. In Japan farmers derive almost 60 per cent of their incomes from subsidies of one sort or another.





The Nordic countries are not far behind with subsidies accounting for 56 per cent of farmers' incomes, compared with 43 per cent in the EC and 16 per cent in the US. The lowest subsidies are in Australia where only 5 per cent of farmers' incomes derive from support measures.

The report looks at the consequences over a four to five year period of an agreement by all member countries to cut agricultural support measures by 10 per cent.

It emphasises that such a cut must be on the widest possible basis, because action by individual countries or a concentration on particular sectors would be difficult to achieve and would in any case be much less effective.

This is because of the close linkages between different agricultural products. For example, a cut in the cost of grains used for cattle feed will reduce the cost of dairy products. But high levels of support for beef and dairy products tend to raise grain prices.

The report emphasises that a 10 per cent across the board cut in subsidies would result in a relatively small reduction in prices, since subsidies themselves represent only a proportion of total costs.

Although five alternative methods of cutting subsidies were considered, it was found that in general world prices for livestock products would rise while prices for products used to feed livestock would fall. The world price of milk products which are heavily subsidised, would rise by 5 per cent.

The reason for this is that a withdrawal of subsidies and domestic price support for dairy products would result in a cut in agricultural output so that less surplus production would be dumped on world markets. However, the cut in OECD agricultural output would be less than ½ per cent.

Since some of the effects would offset each other, the impact on particular sectors might be less severe than if subsidies were cut for only a few products. For this reason, the report says, "a co-ordinated multilateral, multi-commodity approach would lead to significantly greater benefits for OECD countries."

It also estimates that a 10 per cent cut would reduce national budget outlays on agricultural support by $4bn-$6bn per year, with a significant additional saving for consumers. These savings could be spent on generating economic activity in other sectors.

The report points out that, inspite of the fact that the rapid increase of agricultural subsidies since 1960 has to a large extent been aimed to improve far m incomes, the relative incomes of agriculture have declined or remained stable.

As surpluses generated by these subsidies are dumped on to world markets and create increasing pressures for trade barriers, the poorer countries have been penalised by low world prices for their commodities.

The report says: "Thus the farm crisis of the early 1980s is being handled not only by means of increased budget expenditure to maintain farmers' incomes, but also by exporting the most perceptible signs of the crisis to the rest of the world. . . .

"Continuing heightened confrontation between exporters could have, in the medium term, dire consequences for world agriculture, . . . The economic, social and political consequences of all this could cause the system to collapse and bring in a cycle of gluts and shortages, that could not fail to damage the world economy."

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SGS chief warns of job cuts in new group

By Terry Dodsworth in London

MR Pasquale Pistorio, managing director of the new European semiconductor company formed from the merger of SGS of Italy and the non-defence chip manufacturing activities of Thomson of France, said last night that he would be forced to cut jobs in the combined group.

The number of job losses would depend on the speed with which the joint company expanded, he said. But, on the basis of present manpower costs, the group would need to lose about 10 per cent of its combined work force of 18,000.

Mr Pistorio, an Italian who worked for many years with Motorola in the US, gained a reputation as a tough manager when he forced through redundancies at SGS after taking charge of the Milan-based group in 1980.

He made it clear yesterday that he had made no decision on the precise number of redundancies, and that he would aim to achieve as much as possible through natural attrition. But he stressed that the growth of the group would not be swift enough to avoid redundancies, which were likely to fall particularly heavily on administrative departments, with some reductions in manufacturing.

He added that the group also had too many factories, although he refused to speculate on closures, saying that it might be possible to improve the use of some facilities.

Underlining the group's high labour costs, he said that on the basis of the performance of the two constituent businesses last year, sales worked out at about $44,000 per head of staff. But to be profitable, sales of about $50,000 a head were a minimum requirement and by the end of 1988 the target would have risen to $66,000.

WARSAW TELEVISION BREAKS THE SILENCE ON ONE OF STALIN'S ATROCITIES

Debate opens on Polish massacre

BY CHRISTOPHER BOBINSKI IN WARSAW

POLISH television has broken a long official silence over the Katyn massacre in which over 14,000 Polish officers interned by Stalin at the beginning of the war were killed by Soviet troops.

This suggests that Mr Mikhail Gorbachev, the Soviet leader is ready to countenance new inquiries and apportion blame to Stalin for an event for which the Soviet Union has always blamed the Germans.

The topic was raised during a television programme devoted to a discussion of a new Polish-Soviet declaration signed last month promising that "blank spots" or controversial moments in mutual relations hitherto excised by state censors would be examined by historians and the results published.

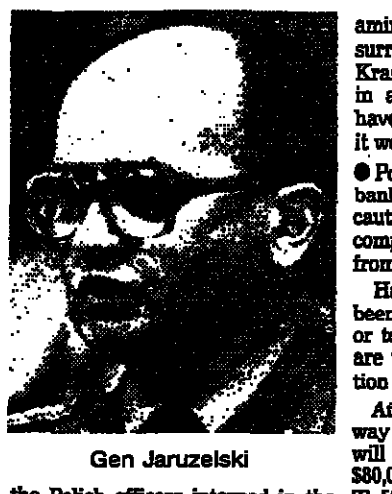
Despite the April declaration the 1940 Katyn massacre remains extremely sensitive and subsequent comment in the Polish press has been cautious and this had raised doubts that Katyn would be included in the subjects historians would be permitted to handle.

Even the programme which finally mentioned the massacre was muted and this suggests that the declaration signed by Mr Gorbachev and General Jaruzelski still arouses controversy in the Warsaw and Moscow establishments.

The programme was chaired by a senior editor at Nowe Drogi, the party theoretical journal and featured two historians, both well connected Communist Party members.

Katyn came up along with the Comintern attitude to the war between 1939 and 1941 and the dissolution of the Polish Communist Party in 1938 as examples of subjects for historical examination.

"I would like to read a thorough monography devoted to the fate of the Polish officers interned in the Soviet Union in 1939," Professor Jan Baszkiewicz said.



Gen Jaruzelski

"And that would include a full examination of all the circumstances surrounding Katyn," Mr Ludwik Krasucki from Nowe Drogi replied in a short exchange which must have had top level approval before it went out on the air.

● Poland's new export development bank has held its first sale under a cautious scheme designed to permit companies to buy hard currency from one another.

Hard currency has previously been available from central funds or to those who are exporters and are thus permitted to retain a portion of their earnings.

At the sale, which is an additional way of getting hard currency and will take place twice a month, $80,000 was sold at prices between Zl 500 and Zl 900 per dollar compared to the Zl 240 official rate of the US dollar. Demand at the sale amounted to $1.7mln.

Bofors faces fresh allegations

By Sara Webb in Stockholm

BOFORS, the Swedish arms manufaturer which smuggled weapons to the Middle East and which is under investigation for allegedly paying bribes in order to secure its SKr 8.4bn ($1,292m) Howitzer gun order to the Indian army last year, faces fresh allegations from Swedish radio concerning the Indian order.

The radio claimed yesterday that Bofors paid SKr 250m to Indian agents and middlemen, thereby violating an earlier agreement not to use such intermediaries, and that the agents' commissions – of 3 per cent – were actually written into the contract between Bofors and the Indian Government.

Ambassador Bhupatray Oza, the Indian ambassador in Stockholm, said that the Indian Government denied that any agreement concerning payment of intermediaries had been written into the contract.

He said it had been Indian Government policy not to use such agents for defence contracts in an effort to clamp down on corruption, and that negotiations with Bofors had taken place on the clear understanding that such agents would not be used.

Mr Olof Palme, the Swedish Prime Minister who was assassinated last year, apparently gave assurances to Mr Rajiv Gandhi, the Indian Prime Minister, that Bofors would not use middlemen.

However, Mr Ingvar Carlsson, the present Swedish Prime Minister, has since claimed that the assurance cannot be taken as a formal guarantee that no agents were used.

Swedish radio's original claims last month that Bofors paid SKr 32m in "commissions" to secure the order caused a furore in India

Le Pen sows alarm and confusion on French right

BY DAVID HOUSEGO IN PARIS

FRENCH CONSERVATIVE parties are seeking ways of warding off a challenge from Mr Jean - Marie Le Pen, leader of the extremist right wing National Front, which could undermine their chances of success in next May's presidential elections.

Since declaring his candidature last month, Mr Le Pen has held the headlines with statements on immigration, delinquency and AIDS—all themes which opinion polls show worry a substantial segment of the electorate. On AIDS, he brought on himself stinging denunciations from ministers after declaring on a widely-watched television programme that AIDS victims are contagious through "their breathing, their tears, their saliva and through contact."

With 10 per cent of voters backing him according to the opinion polls, Mr Le Pen heads the largest extreme right-wing movement in any major European country. The fear of conservative leaders is that at this level he could split the right-wing vote in a presidential election in a way that would damage the chances of the two most probable candidates, Mr Jacques Chirac, the Prime Minister, and Mr Raymond Barre, one of his predecessors.

Of the two, Mr Chirac is the more vulnerable as his electorate is closer to that of Mr Le Pen.

Conservative parties are, however, torn on whether to try and woo National Front supporters by conciliatory measures, or whether to dissociate themselves from Mr Le Pen's popular demagoguery. In practice Mr Chirac's government is now doing both with the risk that he will alienate the centre while failing to regain the extreme right.

On the one hand, the Government has thus decided to revive the proposed nationality law which will deprive second-generation immigrants of automatic citizenship. Likewise Mr Charles Pasqua, the Interior Minister, deliberately demonstrated his toughness this week in announcing that he was

With 10 per cent of voters backing him according to the opinion polls, Mr Le Pen heads the largest extreme right-wing movement in any major European country

prepared to deport illegal immigrants by "trainload"—a remark that in the week of the Klaus Barbie trial earned him sharp attacks from the centre and left.

At the same time more liberal members of the government, such as Mr Alain Juppe, the Budget Minister, have distanced themselves from the "racism" and simplicity of Mr Le Pen's programme. Mr Juppe characterised Mr Le Pen as representing all that was most "backward, simplist and most perverse" in French politics.

Mr Le Pen's hope is that he will carry sufficient weight in the presidential elections to have a lever on cabinet-making in the government that is formed immediately afterwards.

Iceland acting leader fails in effort to form government

BY GUDMUNDUR MAGNUSSON IN REYKJAVIK

MR STEINGRIMUR Hermannsson, acting prime minister of Iceland and leader of the Progressive Party yesterday gave up his effort to form a new coalition government in Iceland.

The first round of talks between political leaders headed by Mr Hermannsson proved fruitless and he returned his mandate to the president, Mrs Vigdis Finnbogadottir.

The president is expected tomorrow to give the mandate either to Mr Thorsteinn Palsson, leader of the Independence Party or Mr Jon Baldvin Hannibalsson, leader of the Social Democratic Party.

Mr Hermanusson told a press conference in Government house in Reykjavik that Mr Jon Baldvin Hannibalsson, Social Democratic Party leader, saw no ground for cooperation with the Progressives. Mr Svavar Gestsson, leader of the Leftist Peoples Alliance had also informed the Prime Minister that his party was, for the time being, unable to take part in any serious Government negotiations.

Mr Albert Gudmundsson, leader of the New Citizen Party was also sceptical about participation in the government and was considering an opposition role, according to Mr Hermannsson.

Only the Women's Alliance proved ready for serious negotiations with the Progressive Party and the Independence Party headed by Mr Hermannsson. The Independence Party turned that offer down.

It is widely believed that the Social Democrats and the Independence Party are ready to form a coalition together but as they have only 28 seats in the 63 seat parliament, the Althing, they need a third party.

Mr Hannibalsson has said that this third party will either be the Women's Alliance or the People alliance. Talks between the Social Democrats, the Independence Party and Women's Alliance could start this week.

UK 'suggests' priorities on missile cuts

A WEST GERMAN newspaper said yesterday that Mrs Margaret Thatcher, the British Prime Minister had suggested a six-point priority list for nuclear missile cuts to Chancellor Helmut Kohl two weeks ago, urging Bonn to state its position, Reuter reports from Bonn.

Die Welt, in what it said was a summary of the letter to be published today, said Mr Thatcher advocated a package deal on medium-range missiles, negotiated and implemented in phases.

On the Soviet proposal to ban shorter-range missiles from Europe, which has split Mr Kohl's coalition, Die Welt said Mrs Thatcher believed that, even if this were desirable, it would be almost impossible to carry out in practice.

Nato tackles task of drawing up reply to Gorbachev offer

BY DAVID BUCHAN IN STAVANGER

NATO TODAY makes its first collective ministerial effort to come up with an Alliance answer to Mr. Mikhail Gorbachev's sweeping proposals to rid Europe of all nuclear missiles with a range between 500 and 5,000 kilometres.

Arms control will dominate Nato's Nuclear Planning Group (NPG) meeting, which lasts today and tomorrow in this Norwegian oil port and is composed of 14 defence ministers. But a final Nato reply to Mr Gorbachev is not expected before mid-summer.

An early missile accord with Moscow would give President Ronald Reagan a useful distraction from the Iran-Contra affair, but the US Administration and other allies have made it clear they do not want to rush West Germany, Nato's key front-line state, into making up its mind. Chancellor Helmut Kohl, presiding over a coalition government divided on European nuclear arms control, has firmly refused to be rushed.

There is a strong chance that General Bernard Rogers, the supreme Nato field commander, and General Wolfgang Alterberg, chairman of the Nato Military Committee, will tell the Stavanger meeting that either warhead reduction should be slowed down or warhead modernisation should be speeded up, if Nato is to lose all its Europe-based missiles of over 500 km range. If that is the soldiers' message, there is an equally strong chance of ministers concurring.

An added problem for the West Germans is the last minute inclusion in Soviet proposals of a demand that US-controlled warheads of 72 Pershing 1A missiles held by the West German air force must disappear as part of elimination from Europe of shorter range intermediate nuclear forces (known as SRINF with a 500-1,000 km range).

Western defence officials do not deny the military symmetry behind the Soviet demand. The West German Pershing 1A's are all that Nato has in the SRINF range, but they happen to match the total of 70 Soviet SRINF missiles in Eastern Europe and Western Russia. According to UK defence officials, there are 42 SS-12/22 missiles in Eastern Europe, and 16 SS-12/22 missiles and 12 SS-23s in Western Russia. The Soviets have some 60 SRINF weapons in Asia, where the US has none.

However, Moscow is making a late change in the ground rules, some Western officials complain, by including "third country" systems in what is supposed to be a purely bilateral superpower negotiation that had focused on launchers rather than warheads.

Bonn's dilemma, as its Defence Minister, Mr Manfred Woerner, is expected to spell out at the NPG meeting, is its probable isolation whatever Nato decides. If Nato wants to accept the Gorbachev zero offer on SRINF, then only the West German Pershing 1A force stands in the way of agreement. If Nato rejects the SRINF zero option and demands a Western right to match the higher global Soviet total on SRINF then West Germany might still be the only recipient of extra Western Weaponry.

"The Germans have got a difficult, sophisticated political debate on their hands," commented a senior UK defence official this week.

Defence ministers and Nato's uniformed top brass are this week likely to air fully the military reservations about the Gorbachev proposals, knowing that Nato foreign ministers, at their Reykjavik meeting next month which is expected to be more decisive, will take a more political view of the need to nail down an East-West accord.

FINANCIAL TIMES SURVEY

The Financial Times proposes to publish a

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AMERICAN NEWS

Reagan 'well informed on Contra policy'

BY LIONEL BARBER IN WASHINGTON

PRESIDENT Ronald Reagan was kept intimately informed of all aspects of US policy towards the Nicaraguan Contra rebels, the Congressional hearing on the affair was told yesterday.

Mr Robert McFarlane, a former National Security Adviser to the president, said he had held "dozens" of meetings with Mr Reagan on the Contras, including their efforts in the rebellion against the Sandinista government, US intelligence briefings, and the inclusion of new political figures in the Contra movement. "There was real time reporting almost every day," said Mr McFarlane.

Mr Reagan's close interest in the fate of the Contras has been highlighted in Mr McFarlane's testimony this week to the joint House-Senate Select Committee. On Monday, he indicated that Saudi Arabia had contributed $1m a month to the Contras. This doubled after a meeting in February 1985 between King Fahd and the president in the White House.

The Wall Street Journal, responding to a White House denial that President Reagan had solicited funds from the Saudis, yesterday reported that Mr Reagan's handwritten notes in his diary showed he and King Fahd had discussed Contra funding. The discrepancy now lies in whether it was Mr Reagan or King Fahd who first brought up the funding idea, because soliciting money was against the law.

Mr Reagan said yesterday that King Fahd had raised the subject at the end of their meeting.

Mr McFarlane faced questions yesterday from Congressman Edward Boland, the Massachusetts Democrat who introduced legislation which banned all official military aid to the Contras and any involvement by the Central Intelligence Agency or the Defence Department between October 1984 and October 1986.

On several occasions, Mr McFarlane conceded he had withheld information from Congress about the activities of Lt Col Oliver North, the sacked White House aide. He also admitted that Col North's involvement in helping raise funds for the Contras could have broken the law.

Later, Mr McFarlane was questioned by Mr James McClure, the Idaho Republican who asked if Israel had been the prime instigator in the sale of US weapons to Iran in 1985-1986. Mr McFarlane agreed but pointed out that both Israel and US government officials, including President Reagan, were aware that Israel's interests in the Middle East differed from the US.

Senator McClure said that Israel had a strong interest in selling anti-tank weapons to Iran in its war with Iraq because Israel was worried about an Iraqi tank strike on itself. Mr McFarlane agreed.

Asked about the sale by Israel—on US approval—of several hundred Tow anti-tank weapons, Mr McFarlane said: "I do believe it was a little extravagant."

THE SWISS authorities have blocked the $10m which was donated to the Nicaraguan Contra rebels by the Sultan of Brunei, but ended up in the wrong Geneva bank account, writes William Dullforce in Geneva.

Mr Vladimir Stemberger, the magistrate in Geneva investigating Iran-Contra ramifications, said he had ordered the money and the interest earned on it to be frozen after the businessman, in whose account it was deposited last year, had voluntarily offered to restore it.

Crédit Suisse, the bank to which the money was paid, said it would lodge charges of misappropriation against the un-named businessmen, who earned $253,000 in interest on the sum having moved it to another Geneva bank.

Missile pact 'no bar' to tests of SDI parts

By Stewart Fleming, US Editor, in Washington

THE REAGAN Administration yesterday took another step towards a confrontation with Congress on arms control policy, and a step away from an agreement with the Soviet Union on long-range strategic missiles.

The White House announced that the second phase of its study of the 1972 anti-ballistic missile treaty, that deals with the ratification in the Senate, raises no obstacle to testing sophisticated components for the US Strategic Defence Initiative.

Mr Marlin Fitzwater, the White House spokesman, announcing the results of the State Department study, said this did not mean a final decision had been taken to adopt a broad interpretation of the ABM treaty.

This would not be taken until June. The White House anticipates that then the third phase of its examination of the record of the practices of the US and the Soviet Union under the accord will be complete.

Critics of the administration's hard line on SDI are convinced, however, that the administration will adopt the broad intepretation. The Soviet Union has made clear that constraints on SDI are an essential element of any strategic arms accord and that re-interpretation of the treaty, to make SDI testing easier, would be an obstacle.

The administration's decision will create a storm of protest in Congress where Senator Sam Nunn, the Georgia Democrat who may well be the most influential member on arms control issues, has warned of a constitutional confrontation.

He has maintained that, when the Senate approved the treaty, it did so on the basis of the narrow interpretation which would restrict SDI testing and that given the constitutional role of the Senate in ratification of treaties, the executive branch cannot unilaterally re-interpret them.

Brazil restricts price rises to 80% of inflation

BY IVO DAWNAY IN RIO DE JANEIRO

THE Brazilian Government has acted to curb excessive price rises by insisting on no more than one increase each month on any non-agricultural product. It has also introduced punitive fines on speculative pricing.

Mr Luiz Bresser Pereira, the Finance Minister, also announced that all increases must represent less than 80 per cent of the monthly inflation rate. Any higher rises will need authorisation by officials who are now set to take a much firmer hand in monitoring wholesalers and retail outlets.

Those deemed to have imposed unjustified increases may be fined up to 25 per cent of their monthly sales, though the criterion for establishing this remains unclear.

The measures followed a furious row last week between the Government and the business community over a wave of rapid price increases—many exceeding 100 per cent. Businessmen claim that the rises last Friday, whereby supermarkets in various cities more than doubled their charges in one day, stemmed from fears that a new price freeze was imminent.

The new restrictions have received a guarded welcome. Mr Mario Amato, chairman of Fiesp, the Sao Paulo state industrial federation, last week blamed the Government for the price rise surge. But he appeared yesterday to welcome the new curbs.

Alfonsin Bill seeks to absolve junior officers

BY TIM COONE IN BUENOS AIRES

A HIGHLY controversial bill to exculpate junior officers and other ranks in the Argentine armed forces from responsibility for homicide and torture during the repression by the military regime of 1976-83, is to be debated in Congress this week.

The bill is being tabled on behalf of President Raul Alfonsin, in an apparent bid to ward off further military unrest in the country.

It would amount to what human rights oganisations have labelled a "*de facto amnesty*" for all military and police personnel below the rank of colonel, or the equivalent, who have been charged, or are accused, or serious abuses during the military regime.

More than 350 military and police personnel stand accused, most of them below the rank of colonel.

The Government's view is based on the report made by its attorney-general, last week, that middle and junior ranks of the armed forces were obliged to follow orders as part of a military campaign aimed at physical elimination of anyone who might have been remotely connected with the guerrilla movements active in Argentina at the time.

The report says that only those responsible for organising the campaign may be considered guilty of the crimes committed.

The courts have established that junior officers bear responsibility for their actions. A rebellion last month by junior officers — as a response to the start of trials — amounted to a direct challenge to the government and the judiciary.

The government's attempt to change the law is widely interpreted as a big concession to the armed forces, sectors of which have continued to threaten further rebellion if the trials continue.

Reuter adds from Paris: Argentina will meet the Paris Club of creditor governments next week to seek the rescheduling of $1.8bn (£1.08bn) of its $50bn foreign debt, financial sources said.

Athena Damianos and Robert Graham report on controversy in the Bahamas

Pindling sets out to charm the electors

THE BIBLICAL nickname of Moses has stood Sir Lynden Pindling, the Bahamas Prime Minister, in good stead ever since gaining power in 1967 from the established white elite and subseqently leading his people to independence from Britain.

His reputation as a father-figure has enabled him to ride out a mounting tide of controversy over allegations linking him and his governing Progressive Liberal Party (PLP) with drugs-related corruption. But he is going to need all his skills to retain the premiership in the elections he has just called for June 19.

Elections were due in November. However, Sir Lynden has brought forward the date largely to prevent the opposition Free National Movement (FMN) capitalising further on the drugs-corruption issue. The opposition has been availing itself of parliamentary privilege to challenge the government with an embarrassing series of allegations that are proving increasingly difficult to shake off.

Sir Lynden is also under attack for padding out the civil service with friends and supporters so that the 14,000 employees now account for 65 per cent of recurrent expenditure. His support is also being eroded by his failure to tackle the high unemployment in the islands, now believed to be over 20 per cent in a total population of only 250,000. With more than two-thirds of the population under 25, first-time voters and the disaffected youth vote could play a vital part in determining what promises to be a close run election.

Money laundering

The outcome will be watched closely by the Reagan Administration, which has shown signs of considerable exasperation with Sir Lynden's Government over his failure to co-operate adequately with drug enforcement policies and the prevention of money-laundering through Nassau's offshore banking facilities. Bahamas at present is not included in the Reagan Administration's Caribbean Basin Initiative because of a refusal to agree on treaties permitting co-operation on the investigation of "narco-dollar" bank accounts. If the FMN were to gain power, a more conservative co-operative and less nationalistic government would emerge.

Sir Lynden's PLP currently holds all but 11 of the 43 seats in the National Assembly. However, this majority from the previous elections conceals the fact that in many constituences, the conservative FMN came close to winning, especially in middle class districts.

Recently, Sir Lynden raised the number of seats to be contested to 49. Clearly he anticipates this will be to the PLP's advantage; but such a manoeuvre might backfire. In Nassau, the opposition has been quick to point out that the Bahamas has more parliamentary seats *per capita* than any other Commonwealth democracy. More immediately controversial has been Sir Lynden's move to nominate his wife, Marguerite, as a parliamentary candidate. She has been regarded as a powerful behind-the-scenes figure.

Judging from the first shots in the campaign, Sir Lynden is expected to play hard on Bahamian nationalism by presenting himself as the sole person capable of standing up to the US. In this respect he can still count on a solid block of older black voters who remember his breaking the hold of the white "Bay Street Boys" who traditionally dominated the islands' business.

The opposition, led by Mr Kendal Isaacs, QC, is expected to conduct a two-pronged attack. On the one hand they will offer an economic programme designed to encourage foreign investment and cut the role of the state. On the other it will focus on the disrepute of the Pindling Government.

Planned sting

The opposition has plenty of ammunition. In March it was revealed that the US State Department had held back a planned sting operation in Miami which aimed at snaring Sir Lynden and his top aides on bribery charges. The operation, set up for December 1984, was to culminate in the prime minister taking a cash pay-off from informants posing as drug smugglers, according to Mr James Rider, an organised crime investigator with the Metro Dade County police department.

After this matter was brought up in the Assembly on March 17, Sir Lynden prorogued parliament. Ostensibly, the move was made to permit a PLP member take his seat after winning a by-election. In practice the prorogation forestalled debate of disclosures by Mr Hubert Insraham, a former cabinet minister, who had been fired in 1984 for confronting Sir Lynden with corruption allegations.

Meanwhile the US has expressed its strong displeasure in so far having failed to extradite Nassau lawyer Mr Nigel Bowe to face charges that he conspired to import cocaine into the US.

Mr Bowe was arrested on October 4 1985 and released on a $1m bond. Extradition proceedings have been quashed by the Supreme Court because of "procedural error" by Bahamian authorities.

The State Department said the request has been held up on "specious" legal grounds.

Drug Enforcement Administration sources have been quoted as saying that they are very close to a case against Sir Lynden.

"If we get Bowe back here, we know he'll talk. So we know Pindling will never let Bowe be extradited," the Washington Times reported a DEA agent saying.

OVERSEAS NEWS

Peres retreats in Cabinet over peace conference

BY ANDREW WHITLEY IN JERUSALEM

THE ISRAELI Labour Party yesterday stepped back from its threat to break up the coalition government, as the second round of a crucial Cabinet debate over a Middle East peace conference plan again ended in deadlock.

The failure of Mr Shimon Peres, the Foreign Minister, to force a decision represents a humiliating setback for the Labour leader, vigorously promoting a framework agreement he reached last month with Jordan's King Hussein.

Last night he postponed a planned five-day visit to Washington, to consult with his Labour colleagues what their next steps should be.

Further movement towards a UN-sponsored international conference is now likely to await a resolution of the convoluted Israeli political scene. With the Government's credibility gravely damaged by the fierce in-fighting of recent weeks over the peace plan, intensive wooing of the minority parties in the Knesset has already begun.

Aware that Labour could not muster enough support in parliament to force through a dissolution motion, Prime Minister Yitzhak Shamir, the hard-line Likud leader, yesterday stood his ground in the resumed meeting of the inner cabinet. If Labour wanted to withdraw from the 31-month government, it was welcome to do so the Prime Minister reportedly said.

Labour, the largest single party in the 120-member Knesset with 44 seats, could abandon the Government. But Likud with the support of other smaller parties from the religious nationalist right is capable of continuing in office as a minority administration until October 1988, the scheduled end of the Government's term.

After a 3½ hour debate, it was Mr Peres who was forced yesterday to climb down, after weeks of mounting political tension which had made early elections appear inevitable.

"The best solution is to go to the nation and let them decide," the Foreign Minister declared afterwards. But he made clear he would be staying on in the Government, for the moment at least, until he had won over the minority support he needs to force a break-up on Labour's terms.

Putting a brave face on his defeat, Mr Peres commented: "The Cabinet is divided in half, and I do not think we have to give an ultimatum to the Likud Party and I do not think Likud has to present us with an ultimatum."

Sri Lanka plans limited autonomy

The Sri Lankan Government plans to pass a law giving limited provincial autonomy to minority Tamils to prove its sincerity in implementing a political solution to the four-year-old Tamil rebellion, a senior Cabinet minister said yesterday, Reuter reports from Colombo.

Mr Ronnie be Mel, the Finance and Planning Minister, said in an interview that President Junius Jayewardene wanted to hold elections in all nine provinces after parliament passes legislation on devolving powers to provincial councils. "It it goes through, the president's intentions was that he will hold elections in seven provinces where there is peace."

Beirut car bomb

A car bomb exploded near a main Syrian military base along the palm-lined Beirut Corniche yesterday killing a Syrian soldier and wounding two others in the second such attack since March, Lebanese police officials said, Nora Boustanz reports from Beirut.

Col Aly Hammoud, the chief of Syrian military observers in Lebanon, said the car blew up a few yards away from the sea-front Syrian position and conceded that "there were some casualties among the troops."

Smith quits party job

Mr Ian Smith the former Rhodesian Prime Minister said he had quit as leader of the Conservative Alliance of Zimbabwe, Reuter reports from Harare. Mr Smith, who was suspended from parliament last month, said he would continue to be actively involved in politics.

Police hold 175 in crackdown on Sikh extremists

BY K.K. SHARMA IN NEW DELHI

POLICE and security forces in Punjab state swooped on suspected Sikh extremists yesterday in a first move to check terrorist activity after the dismissal of the moderate government of Mr Surjit Singh Barnala on Monday night.

Among the 175 people arrested in Punjab was a minister in Mr Barnala's Cabinet believed by the police to have close contacts with the terrorists who have been responsible for about 80 killings a month in the past few months.

The arrested minister was Mr Prem Singh Chandumajra who had the portfolio of co-operation in Mr Barnala's Cabinet. The quick arrest follows the report by the Punjab governor recommending dismissal of the state government and imposition of president's rule in Punjab. One of the reasons he gave for this was that many ministers had close contacts with terrorists.

Mr Barnala yesterday condemned the arrest of Mr Chandumajra and claimed this was done to damage the image of his Akali Party and former ministers in his Cabinet.

Maintenance of law and order in Punjab is now under the direct charge of Mr Julius Ribeiro, the police chief who has been given a year's extension in his job by the Punjab governor. Mr Ribeiro was recently involved in exchanges with one of Mr Barnala's ministers over his charge that senior politicians were in league with hard-core terrorists.

The decision to impose president's rule has had a mixed reception and many opposition leaders have accused Mr Rajiv Gandhi, the Prime Minister, of taking the decision to do so to promote the chances of his Congress-I Party in Haryana state elections to be held on June 17.

Mr Gandhi has lost a series of state elections in recent months and needs a victory in Haryana to show that he is capable of winning votes. Haryana adjoins Punjab and stands to lose Chandigarh as its capital as well as irrigation water if the Punjab peace agreement signed by Mr Gandhi and the Sikhs is implemented.

AUSTRALIAN BUDGET

Keating aims for 2½% growth

BY CHRIS SHERWELL IN SYDNEY

THE following are the details of yesterday's Australian mini-budget:

● The Government has assumed gross domestic product will show real growth of around 2.5 per cent in 1987-88, probably one point higher than this year.

● The consumer price index is assumed to rise 7.25 per cent in the year, lower than the current 9.3 per cent rate. The assumed Australian dollar exchange rate is the average for the March quarter, implying a value of 54 for the trade weighted index (May 1970=100) against the present level of 55.3.

● The A$1bn (£428m) cut in payments to state governments is not negotiable. The premiers' conference later this month will have to decide whether the cuts come in revenue grants or capital assistance, and also whether to accept another A$1bn cut in 1988-89.

● The defence budget will suffer a real 1 per cent cut in 1987-88, saving A$350m, and show 1 per cent growth in 1988-89 and 2 per cent in 1989-1990. This is well short of the 3 per cent growth per year originally planned. The cuts are more likely to hit capital than recurrent spending, although details are not known.

● The estimated A$1bn in assets to be sold include eight international aviation terminals, various military installations including a dockyard and aircraft factory, a 12.5 per cent stake in the private industry bank, part of the Tokyo embassy site and the ambassador's residence in Paris.

● Federal agencies to lose exemptions from customs duty and sales tax include Australia Post.

● Foreign aid will suffer a further cut of A$20m in 1987-88 and in 1988-89, in part because of a rise in overseas student charges. Last August aid was cut by A$70m.

● Family allowances will no longer go to those with a joint parental income of more than A$50,000 (rising by A$2,000 per child for the second and subsequent children). Social security should be about providing assistance to those in need, Mr Keating said. Total social security savings are put at A$408m.

● Unemployment benefits for 16- and 17-year-olds will be abolished, to be replaced with a job search allowance. The aim is to eliminate the incentive for young people to leave school and go onto welfare.

In his address, Mr Paul Keating, the Treasurer, said Australia was winning in its bid to reverse the deterioration in its economic circumstances.

"For the first time in its history Australia now stands on the verge of breaking away from its precarious dependence on a narrow range of primary exports," he said.

The government was freeing the country from "the dictates of the international financial markets," he said. "We are clawing back Australia's financial independence. But to see this process through we cannot relax for a moment."

Claim of flagging Hong Kong confidence denied

BY DAVID DODWELL IN HONG KONG

MR DAVID FORD, head of Hong Kong's civil service, yesterday challenged recent claims that confidence in the territory was flagging, and pointed to increased home ownership, heavy investment in substantial construction projects, and the return of many emigrants to work in the territory, to support his challenge. Hong Kong reverts to Chinese sovereignty in 1997.

Mr Ford told legislative councillors yesterday that when the Hong Kong Government last year put 13,000 flats up for sale under its home ownership scheme, almost a quarter of a million people tried to buy one—evidence, he argued, that a growing number of people want to own their own homes is a "fair indicator" of steady confidence.

Retained imports of industrial machinery, an important indicator of confidence in the manufacturing sector, rose by 26 per cent, he said. Massive private sector investment in infrastructure projects—such as a second cross-harbour tunnel, the container port, and big property developments also "indicate a high level of confidence," he said.

The statement at the territory's weekly Legislative Council meeting came just a week after the publication of a survey that showed those lacking confidence in Hong Kong's future had grown from 14 per cent of the population in 1985 to 27 per cent today.

The survey also indicated that more than a third of Hong Kong's professionals already had foreign passports, or were trying to get them.

While not disputing the survey's findings, Mr Ford recalled a worldwide gallup poll published five months ago that showed Hong Kong people were more confident about the future than any of the other 30 countries surveyed.

While not concealing that many in Hong Kong were apprehensive, Mr Ford said the territory had "every reason to face its future with a good deal more confidence than many other places."

Bangladesh economy hit by slide in jute price

BANGLADESH'S economy needs an overhaul because its problems are overwhelming, heightened by a slump in the world jute market, the World Bank said, Reuter writes from Dhaka.

The Bank's confidential annual report on Bangladesh, calls for strong action to boost exports of non-traditional commodities, impose tight credit controls and evolve a better development strategy.

Nearly 80 per cent of Bangladesh's nearly 105m people live in poverty, according to Bank statistics. The country has a per capita gross domestic product of $148.

Economists here said they agree with the Bank's forecast that the economy will shrink by at least 2 per cent this year because of a dramatic slide in the prices of jute, the country's main export.

The Bank said gross domestic product would grow at an average 4 per cent this year, compared with 3.9 per cent last year, if the economy can maintain the development momentum initiated by the Government.

The Government has told the Bank it plans to boost agriculture, explore wider markets for jute, set up more privately owned industries and create more job opportunities.

The Bank said Bangladesh's GDP will grow faster than African countries but slower than India and China, the world's two largest low-income countries.

It said Bangladesh's balance of payments deficit is expected to fall to 6.3 per cent of GDP by June 1987 from 6.9 per cent in 1986, largely because of a reduction in imports caused by a drop in investment.

The report was presented to the annual meeting of the Bangladesh Aid Consortium in Paris last month

Iraq 'used chemical weapons'

BY OUR UNITED NATIONS CORRESPONDENT

A UNITED NATIONS panel of experts has again unanimously determined that Iraq employed chemical weapons in its war with Iran in what they called "one of the gravest infringements of international norms."

For the first time since the UN began investigations of the matter in 1984, the experts – doctors from Spain, Sweden, Switzerland and Australia – reported civilian casualties. They also said that Iraqi military personnel were injured by chemical agents, which were mainly mustard gas but possibly also phosgene.

Nerve agents were probably used on some occasions, the report issued yesterday said.

"From the examination of weapon fragments found in the Khorramshahr area, chemical bombs similar to those used in 1984 and 1986 have again been used against Iranian forces, indicating their continued deployment by Iraqi forces," the report said. "In addition, it is most likely that chemical rockets have also been used against this area."

Mr Javier Perez de Cuellar, the UN Secretary General who appointed the panel, drew attention to the members' observation that there was now technically little more they could do to help the organisation prevent chemical warfare in the Gulf.

Referring to the 1925 Geneva protocol which outlawed gas warfare after the ravages caused in World War One, Mr Perez de Cuellar said only concerted political efforts could hold out any hope of maintaining commitment to "this vital protocol, most importantly in the present conflict."

He pledges his own continuing efforts to find a comprehensive, just and honourable settlement to what he called "this protracted and ruinous conflict."

The Security Council, to which the report was addressed, has tried for years to halt the war.

Zimbabwe increases trade surplus

BY TONY HAWKINS IN HARARE

ZIMBABWE'S trade surplus increased 52 per cent to Z$530m (US$320m) last year, according to official figures, but this is well below the previously estimated trade surplus of Z$636m.

Exports increased more than 20 per cent to just over US$1.3bn while imports were up 13.5 per cent at US$1bn. Economists point out that the trade surplus had been achieved partly by a continuing tight clamp on imports. This view is sustained by trade volume figures for the previous year which have just been released, showing that in 1985 the volume of imports fell 12 per cent to their lowest levels since independence in 1980. Import volumes are estimated to have fallen further last year while in the first half of 1987 foreign currency allocations for industry have been cut by more than a third and currently purchase only 20 per cent of their 1981 levels of imports.

The latest figures show that even in a boom year for the Zimbabwe economy – gross domestic product rose more than 9 per cent in 1985 – export volumes fell, declining 4.5 per cent to their lowest levels since 1981. Ironically, export volumes in 1985 were lower than for much of the sanctions period of the 1970s and a full 15 per cent below their levels of 10 years previously.

It is clear from the official statistics that favourable terms of trade effects – partially induced by currency depreciation on Zimbabwe's part, helped to boost the trade surplus. In 1985 the terms of trade (1980=100) at 123.4 reached their highest level for 11 years. In the first five years of independence export prices rose 89 per cent, while import prices were up 53 per cent.

Details have been agreed for an unprecedented co-operative effort, **Louise Kehoe** reports from Dallas

Bid to make US world leader in semiconductor technology

THE US semiconductor industry has agreed an unprecedented co-operative effort to re-establish the US as the world leader in semiconductor chip technology.

By pooling resources and talents, with government backing, the US chip makers aim to accelerate development of chip production technology and overtake Japanese competitors.

The project, called Sematech, has received the industry's official approval with the unanimous vote of the Board of Directors of the Semiconductor Industry Association, a trade group representing the US industry.

After months of debate over the size and scope of the project, Sematech will now move ahead in top gear.

"We will begin efforts immediately to raise funds, to find executives to run Sematech and to select a manufacturing site," said Mr Charles Sporck, president of National Semiconductor, who has spearheaded the project.

"We aim to have it up and running by this fall. Sematech plans to produce its first chips by the second half of 1988 and to achieve parity with Japanese manufacturing technology by 1990."

The project is an ambitious one, Mr Sporck acknowledges. It is, however, "absolutely essential that it is launched without delay to stop the erosion of America's semiconductor industry by subsidised foreign competitors.

"As an industry and a nation, we must make leadership in micro-electronics a national priority."

The cost of Sematech, $1.5bn (£937m) over six years, is too much for any one company or even the entire industry to bear, Mr Sporck went on. The chip makers are seeking half the funds for their project from the US Government. Member-companies will, however, be required to contribute 1 per cent of their semiconductor revenues to the effort.

Originally, Sematech was to have involved the large-scale manufacture of memory chips, a market sector in which US manufacturers have lost out to Japanese competitors.

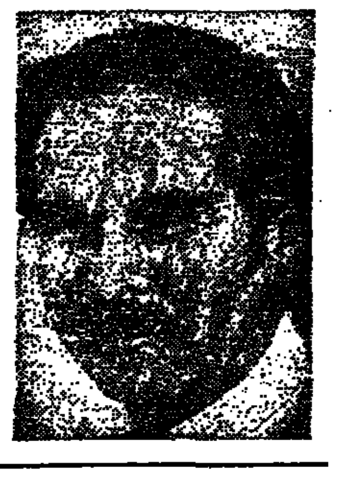
The prospect of a co-operative manufacturing organisation supported by government funds was, however, too radical for some of the industry's Washington supporters.

It was also proposed by key industry participants, including IBM and Texas Instruments, both of which have major memory manufacturing operations.

The final plan "represents the collective thinking of the industry. As competitors, we battle for markets and sales, but in our desire to see this industry succeed, we stand united," Mr Sporck declared.

With this bold decision, the US semiconductor industry is telling the world we are united in our determination to lead the industry we invented."

'Sematech plans to produce its first chips by the second half of 1988, and to achieve parity with Japanese manufacturing technology by 1990,' Mr Charles Sporck, (right) who spearheaded the project says



As described by Mr Sporck and a group of industry executives in Dallas, Sematech will set out to develop next generation semiconductor production processes, materials, tools and test equipment.

Member-countries will contribute funds and lend engineers—"the best in their fields"—to the project.

Sematech will set up its own pilot production line on which new technology will be proved, but will not manufacture commercial products. The product "vehicle" for Sematech technology will, however, be memory-chips, industry executives said.

Once developed, Sematech technology will be made available to member-countries. The success of the projects will depend heavily on the effective transfer of technology to its members.

This transfer has proved to be a pitfall for other co-operative research efforts, but Sematech which will undertake development of commercially applicable processes and equipment, should face less problems, Mr Sporck believes.

Sematech may licence non-members to use its technology, but the US industry group aims to provide American companies with an advantage over foreign competitors. Only US companies will be eligible to join Sematech.

Further restrictions on the the transfer of Sematech technology might be imposed by the US Government, if it provides funds for the project.

While Sematech supporters are confident they will win government backing, probably through the Department of Defence which is increasingly concerned about the health of an industry which supplies critical components for weapon systems, it remains to be seen what "strings" may be attached to government funds.

Already, semiconductor industry executives acknowledge that foreign nationals working in the US semiconductor industry may be precluded from working at Sematech. This represents a real limitation, since half of all electronic engineering doctorate graduates in the US are foreigners.

Government overview of Sematech should be at arm's length, industry executives say. But they may be forced to accept much closer Defence Department involvement in the direction of the project.

Until the industry presents its Sematech plans in Washington, it is impossible to predict what the "price" of government funding will be.

The issue of government regulation of Sematech may be critical. Key participants in the project, including US semiconductor production equipment makers, are reluctant to accept close government involvement.

Critics of Sematech also say that the value of the project would be significantly reduced if it is directed towards military rather than commercial application.

Another hurdle still to be overcome by Sematech is to win the wholehearted support of the US semiconductor production equipment and materials industries.

Although it seems unlikely that these suppliers to the chipmakers would decline the business opportunities raised by Sematech, some of the biggest buyers of US equipment are Japanese, and the production equipment makers have been reluctant to take sides in the US-Japanese chip battle.

Sematech does, however, have some powerful supporters, including IBM, which has strongly allied itself with the project.

As both a major buyer of chips and a major producer, IBM has a strong interest in the future of both the semiconductor production equipment and the semiconductor industries in the US.

IBM's endorsement of Sematech, along with that of other major US computer and electronics companies, has helped persuade Washington law makers that what is at stake in the declining competitiveness of the US chip market, is much more than the future of the relatively small semiconductor industry.

"There is increasing recognition in Washington of the dependency of broad industry sectors on semiconductors," Mr Alan Wolff, the semiconductor industry's Washington Counsel, said.

Already Sematech has won broad support in Washington and appropriations for the project have been included in defence and trade bills.

With its approval of an operating plan, the industry will now begin an intense lobbying campaign to obtain full funding. Legislative actions may also be needed to clear anti-trust barriers.

To maintain the momentum behind Sematech, 13 of the leading US chip makers, who are represented on the board of the Semiconductor Industry Association, have agreed to provide start-up funds of a few million dollars.

Most if not all of the 13 companies are expected to become members of Sematech.

They include Intel, National Semiconductor, Advanced Micro Devices, Monolithic Memories, LSI Logic, Texas Instruments, and Motorola.

Also involved are Harris and Rockwell, IBM, Digital Equipment, Hewlett Packard and AT & T. Eventually, Sematech may have as many as 30 member-companies.

Tokyo has record surplus with Washington

By Carla Rapoport in Tokyo

JAPAN'S TRADE surplus with the US rose to a record in April, despite the yen's continued appreciation against the dollar.

According to custom-cleared figures for the month, Japan's overall surplus jumped by more than 10 per cent to $7.6bn (£4.75bn). Exports were up 10 per cent, for the second biggest monthly figure on record. The surplus with the US in the month hit a record $5.1bn.

In yen terms, however, exports fell 9.8 per cent with the 18th consecutive monthly drop. Car and videocassette recorders, for example, dropped by 12.4 per cent and 49.7 per cent respectively.

But imports in yen terms also dropped, giving Japan another large trade surplus for month in terms of that currency.

In dollar terms, those products which showed the sharpest rise in exports were electronic, mechanical and transport machinery, as well as chemicals. Imports which went up during the month included foodstuffs.

Exports to the US increased 6 per cent to $7.4bn, the third highest monthly total on record. But imports rose by less than 1 per cent to $2.3bn, leaving the largest monthly imbalance in favour of Japan.

Merger talks force delay on SAS contract

SAS, Scandinavia's flag carrier, is to postpone until September a decision on a major airliner order, mainly because of the talks on a possible merger with Sabena, the Belgian airline, Reuter reports from Stockholm.

SAS signed a letter of intent on a SKr 10bn (£1bn) order for 12 McDonnell Douglas MD-11 airliners in December, but later threatened to cancel it after receiving a lower counterbid from the European Airbus consortium which is offering the proposed A-340 long-range airliner.

The choice of aircraft would be affected by the prospects of "joint fleet planing" with Sabena, SAS said.

Argentina and US in talks on Gatt round

By Tim Coone in Buenos Aires

EXPLORATORY talks have taken place between the US and Argentine Governments over adopting a common approach in the current round of Gatt talks.

Mr Charles Blum, a senior US trade representative, and under-secretary at the White House, spent three days in Argentina this week, meeting local trade officials and representatives of the private sector.

He said later that his talks had been "constructive" and that there existed "room for significant collaboration" with Argentina in the current Uruguayan Gatt round.

The problem of protectionism and subsidies in agricultural trade was a "top priority for both Argentina and the US" and his Government's aims were threefold:

- To eliminate all export subsidies on agricultural products;
- To "disconnect" other government subsidies related to agricultural production in order to reduce world overproduction;
- To reduce import barriers to trade.

"Like Argentina, we are also a debtor nation and have to raise exports to service our debts," Mr Blum added, We have placed all our trading practices on the negotiating table without exception and in return we are asking our trading partners to do the same."

Mr Blum insisted that his talks in Argentina had been only preliminary and was not prepared to reveal *quid pro quo* that the US was seeking from Argentina before moving towards the reduction of US agricultural susidies being sought.

However, economy officials in Buenos Aires say that in previous discussions, the US has been looking for a significant opening up of the Argentine market in services.

Argentine industry also benefits from substantial tariff protection which the government is at present reviewing as part of a series of policy measures aimed at streamlining the economy.

Kuwait oil field order goes to UK

By James Buxton, Scottish Correspondent

A UK company which specialises in oilfield maintenance has won a £9m contract to service equipment in all the production oilfields operated by the Kuwait Oil Company (KOC) in Kuwait.

Wood Group Engineering, of Aberdeen a subsidiary of the John Wood Group, is to maintain mechanical machinery and associated plant and instrumentation for KOC over four years.

The contract is the first that Wood Group Engineering has won to carry out maintenance work on the ground in the Middle Est, although it already services gas turbines from Middle Eastern countries which are shipped to Aberdeen.

Award of the contract results from a drive by the company to seek overseas work following the recent downturn in North Sea exploration and development.

Companies in Aberdeen—and the British Government—are anxious to promote the city as a centre of international oilfield expertise rather than just a centre for the North Sea.

Cyprus, EC near customs pact

BY TIM DICKSON IN BRUSSELS

CYPRUS and the European Community appear close to agreement on a proposed customs union which will lead to the removal of each other's trade barriers.

Officials at the European Commission are confident that Cyprus will shortly give the final go-ahead to the plan, final details of which were ironed out in talks last week.

Cyprus is already linked to the EC by a 1973 Association Agreement which provides preferential trade treatment. Under the new customs union, all customs duties and quotas for industrial products and some agricultural products (such as fruit, vegetables and wine) will be dismantled by 1997.

Under a second phase "accompanying policies" such as implementation in Cyprus of the EC's competition and commercial rules would be introduced.

The EC is the Mediterranean island's main trading partner, accounting for 54 per cent of Cypriot imports and 28 per cent of its exports. Latest figures show that EC exports amount to around Ecu 1bn, with Cypriot exports to the Community around Ecu 600m.

The Customs union has been negotiated by the European Commission on the basis of mandates for several Mediterranean countries from member-states. The request originally came from Cyprus, which is keen to establish closer political as well as economic links with the European Community.

The agreement will cover the whole island, even though the negotiations have only been with the official Government.

David Barchard reports: Turkey is expected to invite tenders shortly for a new 1,200 Mw dual-fired gas power plant at Ambarli to supply over 1bn kwh a year to Turkish industry.

The Turkish Electrical Authority TEK is understood to have had exploratory contacts with a number of foreign and local companies including Brown Boveri of West Germany.

UK NEWS

Labour pushed into third place in polls

BY PETER RIDDELL, POLITICAL EDITOR

THE LABOUR PARTY last night suffered a setback at the start of the general election campaign as new opinion polls showed its support at below 30 per cent, with one putting it in third place behind the Social Democratic Party/Liberal Alliance.

A Gallup survey in today's Daily Telegraph puts the Conservatives at 39 per cent, ahead of the Alliance on 30 per cent and Labour on 28 per cent. This would give the Conservatives an overall House of Commons majority of between 50 and 60.

A Marplan survey for the Guardian puts the Tories on 43 per cent, compared with 29 per cent for Labour and 25 per cent for the Alliance.

These surveys, both based on interviews over the weekend before Monday's formal announcement of the election, have to be treated with some caution, since they show contrasting movements in Tory support over the past month.

But the standard rating of Labour at below 30 per cent is a blow to party morale, since previous surveys had been pointing to a recovery in the party's standing to around 32 per cent, with a widening gap over the Alliance.

The BBC yesterday announced details of what it described as its most extensive and sustained general election coverage ever. It will spend an additional £5m and devote increased airtime developing discussing the issues behind the campaign.

A Labour spokesman last night tried to put a brave face on the results: "These polls are not credible and are not even consistent with each other."

He argued that the election was not about polls but about winning seats in the House of Commons: "Only Labour can win enough seats to beat Mrs Thatcher and by concentrating on our policies and not being distracted every day by the polls, that's exactly what we will do."

● A major programme of constitutional changes was launched yesterday by the SDP/Liberal Alliance as a centrepiece of its forthcoming manifesto.

This will involve proportional representation reform of the law on official secrecy and confidentiality, incorporation of the European Convention of Human Rights into British law, devolution throughout the UK, and reform of procedures at Whitehall and Westminster.

The proposals are intended, according to Mr David Steel, the Liberal leader, to offer "both a new government for Britain and a new system of government."

Dr David Owen, the SDP leader, said the changes necessary for Britain could not be achieved without measures that "will allow the voice of the majority to challenge the minority, and the voice of the minority and the individual to be protected by rights entrenched in our constitution."

Both leaders stressed the need for progress towards proportional representation to be a central feature of any post-election negotiations if there was a hung parliament. He said proportional representation for local govenment would restore its "credibility and competence".

They stressed that their proposed reforms would only be possible if the Alliance either came to power on its own, or shared power in a coalition.

Kinnock cracks a whip for the media circus

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

MR NEIL KINNOCK, the Labour leader, earlier this week summed up his attitude towards a media he mistrusts but which, whether he likes it or not, is about to play a critical role in determining his political future.

In a television interview which touched on the antics of the so-called "loony left" (extremists), he tried to put the issue in its correct perspective, describing it as, "at most, an uninfluential shaving on the great body of the Labour movement."

Mr Neil Kinnock: relying on television

His perception of the extent of the problem appears to differ from that of much of the electorate and it is a gap in understanding which he blames largely on newspapers whose sense of proportion is strictly aligned to their prevailing political allegiances.

In the interview, he went on to claim that, with a fairer press, the "loony left" issue would have been balanced by an examination of Tory extremism – what he dubs the "raving right".

But, in a telling reference to his relationship with a media circus poised to dissect his every word and already straining to hear the first signs that his famous, inflamed larynx is about to let him down, Mr Kinnock said that he was not "whingeing."

With a fatalistic sigh and slightly forced grin, he emphasised that the political allegiances of most sections of the press were a fact of life with which Labour had to live.

Few parties or party leaders ever feel they receive a fair deal from the news media and Mr Kinnock, who seems to prefer television to newspapers, is no different.

The Labour leader's relationship with the press has, inevitably, changed since he first arrived as a parliamentary novice at Westminster, in 1970. Although journalists' recollections of long, convivial evenings in the bar with the new boy from Bedwellty, in south Wales, may have been overplayed, he certainly welcomed the company of some newspaper men and women in his early years at the House of Commons. A few remain close friends.

As leader, hower, his opinion is now somewhat less enthusiastic and his attitude, perhaps quite understandably, appears increasingly conditioned by his fate at the hands of sensation-seeking headline writers who seen to him, to measure the truth in type-sizes.

The ill-fated trip to see President Reagan earlier this year, a follow-up to the even less auspicious US visit in 1986, did nothing to improve relationships and helped convince the Labour leadership that the next election campaign would have to be handled differently.

But Labour is sometimes accused of being too ready to blame the press for its own mistakes. Despite the leadership's apparent conviction that it was the travelling press corps which conspired to wrack his White House venture, the real damage was inflicted by a critical, if less than forthright, US administration which chose to pursue one line in the privacy of the Oval Office and another in the nearby press briefing room

However, much the concept of a Tory press conspiracy fitted Labour's own prejudices, the blame lay not with the small group of reporters accompanying Mr Kinnock on a visit which even some of his closest and most respected colleagues warned him against.

The Labour leader himself is not, however, foolish enough to lay all the blame for a bad press on the doorsteps of Fleet Street or to overestimate its ability to make or break him.

He, along with many of his senior colleagues, openly recognise that some of Labour's recent wounds have been self-inflicted and that, given the kaleidoscope of opinion which his party embraces, there will always be room for potentially problematic renegades.

He acknowledges that public squabbles over defence policy and internal rows over black sections will inevitably, and sometimes fairly, attract attention, and only recently he was forced to tell the latest group of dissidents to "shut up."

Mr Kinnock will be relying primarily on television to get his message across, hoping it will enable him and his shadow Cabinet to have more influence over setting the daily agenda and in spelling out the basic components of the manifesto.

There will certainly be those in the media intent on catching out both him and his team. Their success or failure will lie at least partly in Labour's own ability to stick to the central issues

Spy satellite project funding did not need Parliament's approval

BY LYNTON MCLAIN

THE SECRET British Zircon spy satellite project did not have to be included in Ministry of Defence (MoD) statements to the House of Commons, MPs were told yesterday.

MPs were briefed on the project by Mr George Younger, the Defence Secretary. But their request for improvements in financial information on defence projects was "not related to the circumstances of the Zircon disclosure".

A weekly left-wing magazine, the New Stateman, claimed in January that the cost of the Zircon project had breached the threshold at which it should have been reported to Parliament. The major projects statement from the MoD includes projects for which the Treasury has authorised expenditure in excess of £250m.

Projects expected to exceed this are included when expenditure on project definition has reached £10m.

The defence committee of MPs was given additional information about the Zircon project, and it was this that led them to conclude that the project did not have to be included in MoD project statements to the House of Commons.

The major projects statement includes expenditure to date, in service dates, the estimated total expenditure when work was first approved by the Treasury, and the current estimate.

Annexes show estimates of possible additional expenditure, included in internal MoD budgetary projections, but not yet approved as part of the defence equipment programme.

But while the MPs found that "there are no grounds for supposing that the Zircon project should have been included in the major projects statement as submitted to us, given the present rules for the compilation of that statement," they stated that the major projects statement "falls short of meeting our requirements."

"The threshold for inclusion of a project is too high," they added. "Defence projects costing less than £250m may be extremely significant. We do not consider that so high a threshold allows us adequately to discharge our obligations to the House of Commons or to the taxpayer."

From next year, the MoD has agreed to submit annually to the House of Commons defence committee a table, the defence equipment project report covering equipment projects which have entered full development, with Treasury approval, and are estimated to cost £25m or more for development and £50m for production.

Jaguar cars recalled

BY JOHN GRIFFITHS

JAGUAR IS recalling the 4,800 new XJ6 models sold so far in the UK for modifications to the brake servo system.

The company attributed the recall to "isolated incidents" of machining debris being found in the servo system's hydraulic circuits.

All cars shipped to Jaguar's largest market, the US – where the new XJ6 went on sale on May 4 – had already been modified, the company said. Some affected cars may have found their way into markets elsewhere in the world, for which "where necessary, separate arrangements are being made," a statement declared.

It was issued after rumours of problems with the new car swept the stock market in London, and unsettled the Jaguar share price.

Jaguar emphasised that even where the presence of debris could cause loss of power assistance to the brakes, this would occur only after 12 further brake applications from an initial warning sign being displayed on the dashboard.

After this point, the brakes would remain operative but require increased pedal pressure to be effective.

Jaguar refused to name the supplier of the component involved in the recall. But the terms set out for suppliers, shortly after chairman Sir John Egan first joined Jaguar in 1980, were that the producer of any faulty components should bear the main financial burden of rectification.

Thatcher to open Tory campaign

By James Buxton

THERE IS irony in the fact that Mrs Margaret Thatcher, Prime Minister, will tomorrow night launch what she hopes will be a triumphant general election campaign on a platform in Scotland – where the party is lying in third place in the opinion polls and is widely expected to lose seats.

But Tory morals will be boosted by a Mori survey in today's Scotsman newspaper showing a six percentage point increase in its support over the past month to 25 per cent, with Labour's rating down from 47 to 43 per cent, and the Alliance also dropping back.

Mrs Thatcher will be addressing the rally at the end of the annual Scottish Conservative Party conference in Perth. The conference, which starts this morning, has been compressed from three days to two because of the impending general election.

But it will still provide a timely showcase for the wares of the Conservative Party, with at least six Cabinet ministers in attendance, and a rallying occasion for the party workers. Very few indeed of the motions submitted by local associations to the conference contained any hint of dissent and the motions actually selected for debate are predictably bland.

The Scottish association, insists that the party is confident of actually winning more seats in the general election. It currently holds 21 of the 72 Scottish seats, with Labour holding 41, the Alliance eight and the Scottish National Party (SNP) two.

Naturally the party's opponents do not agree. They point to the most recent System Three opinion poll which put the conservatives at 21 per cent, ahead only of the SNP with 13 per cent, but behind the Alliance with 23 per cent and far behind Labour at 42 per cent. In the 1983 general election the Tories took 28 per cent of the popular vote in Scotland, against Labour's 35 per cent.

In terms of seats 12 Conservative MPs have majorities of less than 10 per cent. Tory MPs face threats in different parts of the country from the Alliance, Labour and the SNP.

The Thatcher revolution was always unlikely to grow deep roots in a part of Britain where unemployment has long been relatively high.

UK NEWS

Bank spells out need to steady interest rates

BY JANET BUSH

THE BUOYANCY of the British economy, the demand for credit and the rapid growth in broad money and asset prices are all grounds for not wanting interest rates to fall too far and too quickly, the Governor of the Bank of England said yesterday.

Equally, the Bank does not want to see the exchange rate rise because of the damage this would inflict on industrial confidence at a critical time, said Sir Robin Leigh-Pemberton. He stated that short-term British interest rates are now the only effective instrument of monetary policy.

At the same time, he acknowledged that present understanding of the precise effects of interest rates on the economy was incomplete and that the Bank's ability to determine interest rates was limited, although it still exerted a powerful influence.

"Often our aim will be to slow the momentum of an interest rate movement sought by the markets rather than obstruct it altogether," the Governor said in a speech.

In past weeks, the Bank has held out against market pressure for lower interest rates, using intervention on foreign exchanges to limit sterling's rise, before allowing rates to be cut.

In yesterday's speech, the Governor emphasised that a policy of intervention could not be an adequate solution to a sustained conflict between domestic and external objectives, although it could help make a situation manageable for a time.

"Given the present-day scale of capital flows through the foreign exchange markets, the scale of intervention may need to be very large indeed if it is to be at all effective," he said.

He added that intervention to restrain upward pressure on the exchange rate added to domestic liquidity and produced a bulge in broad money growth as intervention could, in some cases, only be sterilised over time.

In a review of monetary policy, he applauded the progress made in recent years in bringing down inflation and maintaining steady economic growth, but added that the operation of that policy at a more technical level had been less successful.

Japan may curb competitiveness

BY FINANCIAL TIMES REPORTERS

JAPANESE COMPANIES might have to curb their natural desire to compete, in order to reduce trade tensions with their main international trading partners, said Mr Bun-ichi Oguchi, executive vice-president of Fujitsu, at the Financial Times conference on world electronics in London yesterday.

Mr Oguchi, whose company has recently suffered from rising trade tensions with the blocking of its bid for the Fairchild semiconductor group in the US, said that Japanese companies were bred in an atmosphere of fierce domestic competition. But the country had come to realise that its industry could not succeed unless customers in other countries were also prosperous and unless specific steps were taken to alter the competitive balance in favour of overseas companies.

These moves included a further opening up in Japanese markets, an easing of regulations in Japan, the stimulation of domestic demand, voluntary restrictions on exports and extending aid to the developing countries.

Mr Oguchi added that Japan was already moving towards more open markets and reduced regulation, with the electronics and telecommunications markets already liberalised to a large extent.

The Japanese electronics industry, having achieved world dominance in consumer electronics, was now seeking a similar position in components production, said Mr Gerrit Jeelof, Phillips' executive vice-president.

To respond to that challenge, and to maintain a global presence, European electronics companies were having to reshape their management strategy.

The world electronics idustry, representing annual sales of about \$500bn (£825bn), was heading for even greater competitive turmoil, Mr Thomas Woodard, a director of McKinsey, told the conference.

The cost of key components, such as semiconductors, would continue to fall by orders of magnitude. This would feed through into falling hardware prices, which would blur distinctions between systems such as mainframes, mini and micro-computers.

This helped to explain the globalisation of the industry, with companies needing to sell in most major markets to recoup development costs.

Strategic alliances would continue as one response to these pressures though they were a good bit more popular than successful.

Mr James Treybig, president of Tandem Computers of the US, said that the market for on-line transaction processing had grown from \$7bn a year in the US in 1980 to \$20bn in 1986 and was expected to expand further to \$60bn in the early 1990s. The computer industry, he added, was moving away from batch processing of data towards transaction processing because of the needs of all kinds of industries – including retailers, airlines, financial services and newspapers – to use easily accessible information to speed up their reaction to market pressures.

FT CONFERENCE
World electronics

Mr Pasquale Pistorio, managing director of the Franco-Italian semiconductor company formed by the merger of SGS and Thomson Semiconductors, said that future survival in the microchip industry would depend on being a broad-based manufacturer.

"Today there are around 300 companies spread over a range that goes down to a few million dollars and up to \$2.5bn, he said. "In the future – and here I am talking about the next six to eight years – there will be just 10 to 15 major broad-range supplies in the billion dollar plus range, and the rest will be niche producers with turnovers at least one order of magnitude lower."

Mr Philippe Dreyfus, vice-chairman of CAP Gemini Sogeti, the French software company, described the obstacles to increased growth in the software industry.

These included skill shortages, particularly among specialist staff who understood the needs of users; the failure of management in some organisations to push for greater productivity from their data processing department; the slowness in simplifying the man-machine interface; and the lack of standards.

Dr Edgar Neufeld, director of systems integration at IBM Europe, said that his company was putting increasing emphasis on the business of combining hardware services and software into systems that offered solutions to customer problems.

Behind this move was the rapid growth in the services and software element of the information technology industry, which was currently expanding at about 20 per cent a year, and within five years was likely to account for about a half of the sales volume in the sector.

IBM, he added, would work with other companies in providing solutions, either as the prime contractor or as a sub-contractor on particular projects.

Mr François Hesrot, planning and development manager at Compagnie Bancaire, analysed the differences between electronic services which had boomed, such as transactions in the financial markets, and those which were slow to grow, such as home banking. He pointed to the need to understand the real demands of customers as one of the key factors in explaining those differences.

Harwell discourages hopes on developing petroleum substitutes

BY DAVID FISHLOCK, SCIENCE EDITOR

PROSPECTS FOR making a petrol substitute at a competitive price from coal, natural gas or crops in the next two or three decades look poor, according to the latest report from the British Government's energy technology advisers.

There are many cheaper ways of making road transport fuels than petrol from coal, methenol from wood, or ethanol from sugar beet, says the Energy technology Support Unit at Harwell, which advises the Department of Energy.

Its report ranks the estimated production cost of 15 processes, summarised in the accompanying table.

It concludes that liquefying British coal could become economic if the would oil price were to reach about \$60 per barrel, which it considers unlikely before the year 2010-2015.

The most promising processes are for cracking such liquids as heavy crude and liquefied petroleum gases (LPG), to make petrol, which may be possible for a 10-40 per cent premium in present price.

At the other end of the scale are the petrol-from-coal processes used by Sasol in South Africa, which are estimated at more than three times the cost of petrol in Europe.

Liquid hydrogen, sometimes promoted as a clean petrol substitute, is estimated to cost about the same as Sasol petrol, if produced on a large scale by electrolysis.

Petrol made from coal by the two-stage process under development by British Coal is expected to cost about double the price of petrol. The yardstick against which Mr Kevin Langley, author of the study, has gauged all process technologies is the January 1984 selling price of petrol in Europe, ex-tax, of about \$5.5 per gigajoule of energy.

This figure is based on a crude price of \$28 a barrel. It has since fallen to about \$18 a barrel, during the protracted period of verifying with companies the cost estimates of the 15 processes.

But Mr Langley says that neither the fall in oil price nor lower UK coal production costs "substantially alter either the conclusions or the rationale of this report". His study has taken account of the latest estimates of cost for the conversion processes, and the technical characteristics required of synthetic fuels and whether a premium value or penalty should be assigned.

It has also weighed the extent to which any given substitute is likely to make a significant contribution to Britain's requirements, given any restraints on availability of feedstocks.

Where substitute sources of petrol are used on a large scale, as in South Africa, special conditions prevail, Mr Langley finds. Another example is the large-scale conversion of sugar to alcohol in Brazil.

ESTIMATED COSTS OF SYNTHETIC FUELS

Process	Price \$ per gigajoule
Petrol from fuel oil	6.00
Petrol from LPG (BP's Cyclarr process)	7.50
Methanol from natural gas (ICI)	8.40
Petrol from coal (British Coal)	10.20
Petrol from natural gas (Mobil)	10.60
Methanol from coal (Lurgi)	14.40
Methanol from wood	14.70
Ethanol from sugar beet	15.40
Petrol from coal (Sasol II)	19.10
Liquid hydrogen by electrolysis	19.70

A ranking of synthetic fuel options for road transport applications in the UK. ETSU report for the Department of Energy, Harwell.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed	Vacs.
1985							
3rd qtr.	108.2	103.6	104	117.2	146.0	3,124	164.4
4th qtr.	108.4	103.6	105	117.9	178.8	3,122	168.2
1986							
1st qtr.	109.1	102.6	105	119.3	146.0	3,171	166.5
2nd qtr.	109.3	103.5	104	121.2	154.0	3,208	175.6
3rd qtr.	110.8	104.8	106	122.7	158.7	3,212	200.2
4th qtr.	110.9	107.4	114	126.5	194.3	3,143	213.0
September	110.7	105.2	110	124.5	150.5	3,193	208.4
October	111.0	106.5	109	125.0	166.5	3,166	212.8
November	111.2	107.5	111	127.8	183.9	3,145	215.2
December	110.5	107.9	121	126.7	224.9	3,119	210.0
1987							
1st qtr.				125.4	157.0		
January	110.8	105.3	110	123.6	158.4	3,118	210.3
February	112.6	107.6		127.0	154.5	3,073	207.1
March				125.5	157.8	3,043	210.6

OUTPUT—By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1985							
4th qtr.	103.8	102.7	112.4	103.2	112.6	103.3	15.0
1986							
1st qtr.	103.0	101.6	115.4	101.5	110.3	102.8	14.2
2nd qtr.	104.6	100.7	115.3	102.1	110.0	103.6	19.8
3rd qtr.	106.0	101.5	117.2	103.3	107.6	101.9	18.9
4th qtr.	108.3	103.4	115.7	105.7	115.9	104.7	15.3
September	106.2	102.2	116.7	104.0	107.0	102.0	19.4
October	107.4	103.3	116.4	105.0	113.0	105.0	19.3
November	108.6	103.0	115.9	106.0	117.0	107.0	15.8
December	108.0	103.5	114.8	107.0	118.0	103.0	10.8
1987							
1st qtr.							16.8
January	106.4	103.1	116.0	105.0	107.0	104.0	12.4
February	107.9	104.2	118.6	106.0	112.0	105.0	18.5
March							19.5

EXTERNAL TRADE—Indices of export and import volume (1980=100); viable balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US\$bn*
1986							
1st qtr.	117.5	124.9	−1,227	+682	+1,899	101.0	18.75
2nd qtr.	121.9	128.8	−1,551	−94	+772	102.6	19.20
3rd qtr.	122.6	138.5	−2,873	−931	+646	103.1	20.14
4th qtr.	130.5	143.4	−2,602	−756	+846	100.8	21.97
September	126.2	139.3	−831	−184	+258	102.3	22.43
October	127.0	139.6	−715	−100	+226	101.5	21.90
November	132.8	146.7	−1,000	−384	+354	100.9	22.01
December	131.6	143.9	−887	−272	+266	100.1	21.92
1987							
1st qtr.	129.7	132.5	−1,175	+625	+1,152	100.5	23.75
January	125.0	130.9	−527	+73	+371	100.2	21.95
February	137.8	137.5	−224	+376	+326	100.4	22.26
March	126.3	128.6	−425	+175	+455	100.8	27.84
April							29.81

FINANCIAL—Money supply M0, M1 and sterling M3 (three months' growth at annual rate), bank sterling lending to private sector, building societies' net inflow; HP†, new credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	HP lending† £m	Base rate %
1985							
4th qtr.	2.9	17.0	12.9	+5,378	2,289	3,426	11.50
1986							
1st qtr.	4.1	21.4	19.3	+6,288	2,229	7,375	11.50
2nd qtr.	3.1	26.0	27.3	+6,455	1,432	7,739	10.00
3rd qtr.	5.9	30.3	15.4	+6,886	168	8,323	10.00
4th qtr.	7.6	15.3	14.1	+10,531	2,814	8,178	11.00
September	6.6	34.2	17.8	+896	−671	2,870	10.00
October	6.3	19.1	14.5	+3,488	1,951	2,759	11.00
November	6.4	28.4	19.0	+3,847	160	2,635	11.00
December	10.1	6.6	9.1	+3,196	702	2,784	11.00
1987							
1st qtr.	1.2	20.7	19.6	6,610	1,475	8,881	10.00
January	7.7	18.1	12.9	+1,867	456	2,695	11.00
February	0.1	11.1	17.3	+2,882	472	2,948	11.00
March	10.1	13.4	28.9	+2,061	547	3,238	10.00
April							9.50

INFLATION—Indices of earnings (Jan 1980=100); basic materials and fuels, wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100).

	Earnings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters* cmdty.	Sterling
1986							
1st qtr.	179.1	132.4	142.4	96.5	96.9	1,312	75.1
2nd qtr.	184.0	125.8	145.7	97.8	98.7	1,453	76.1
3rd qtr.	187.4	120.8	146.3	97.9	98.3	1,544	71.9
4th qtr.	191.0	127.4	147.4	99.1	98.3	1,637	68.2
September	186.8	122.4	146.7	98.3	96.3	1,544	70.4
October	188.3	124.3	147.0	98.5	98.1	1,600	67.8
November	191.2	127.5	147.4	99.3	98.1	1,617	68.5
December	193.4	130.4	147.9	99.6	98.8	1,637	68.4
1987							
1st qtr		130.0	148.3	100.3	100.5	1,577	69.9
January	190.4	131.9	148.8	100.0	100.0	1,604	68.8
February	191.1	129.6	149.3	100.4	100.7	1,586	69.0
March		128.4	149.7	100.6	100.7	1,541	71.9
April		128.7	150.5			1,583	72.4

* Not seasonally adjusted.
† From January 1986 includes amounts outstanding on credit cards.

Fund managers 'not taking shorter view'

Four articles included in the Bank of England's Quarterly Bulletin, published today, were released yesterday. Alexander Nicoll, Janet Bush and Ralph Atkins report

HEIGHTENED demand for performance from UK fund managers has not necessarily led them to take a more short-term view of the prospects of the companies in which they invest, the Bank of England says today.

This is one of the conclusions of a survey conducted among 18 fund managers with £83.7bn, or 20 per cent of the UK equity market, under their control. Those surveyed were merchant banks, insurance companies, in-house pension funds and independent managers.

Among other findings are that fund managers tend to support the incumbent management of companies contesting takeover bids, and that the majority of managers do not routinely exercise their voting rights at shareholder meetings.

The survey was conducted because British companies have been concerned about the so-called "short-termism" of investors. They felt that the tendency to take a shorter-term view of investment weakened their share prices inordinately and made them vulnerable to takeover.

The results, however, tend to contradict such suspicions. Although it finds that portfolios are being managed more actively, the Bank says. "More intensive management of equity portfolios with increased turnover does not seem to mean that managers are necessarily taking a more short-term view of the prospects for companies – paying more attention to earnings in the near rather than the longer term. For a number of managers in the survey the reverse seemed to be true," the Bank says.

These managers, according to the Bank, attempt to beat the average market performance by seeking shares judged to be undervalued relative to the fundamental strength of the company, and likely to gain relative to the market over a two or three-year period.

Most managers hold on to shares until they are outperforming the market by between 15 and 30 per cent before considering selling them.

The Bank acknowledges, however, that pressure for performance has increased and that some managers "seemed to place more reliance on market fashions and short-term fluctuations in price."

Those under particular pressure to perform on a quarter-by-quarter basis include unit trust managers who sell units through independent intermediaries and external managers of smaller pension funds. These tended to be the most active traders of shares. Good quarterly performance was also important for winning new clients, especially from the US.

The bank criticises some pension fund trustees who it says, "seem to lay down unrealistic targets for the performance of the funds in the hands of outside managers without considering the risks that would be entailed in trying to achieve them."

Although the survey finds wide disparities between the investment techniques of different types of manager, the turnover of shares in portfolios by all types has increased markedly over the past five years.

As well as pressure for short-term performance, this reflects the growing number of takeovers and the fall in transaction costs, particularly stamp duty, which has been cut from 2 per cent to ½ per cent since 1984.

Turnover is still, however, quite slow. Shares in insurance and pension fund portofillios are traded on average once every five years, in investment trust portfolios once every three years and in unit trust portfolios once every two years.

The Bank also said it was not clear that higher turnover was reflected in a higher return on investments. One insurance company had found that dealing costs negated the benefits of high turnover on unit trusts, and had decided to keep turnover low in future. Some merchant banks found no link between turnover and performance.

Definition of money not unique

THE BANK of England intends to provide public information on the behaviour, components and counterparts of two more aggregates of broad money growth from now on, as well as the current measure, Sterling M3.

The Bank said that it had reached the inescapable conclusion that there is no unique definition of broad money.

"Any choice of dividing line between those financial assets included in, and those excluded from, broad money is to a degree arbitrary, and is likely over time to be invalidated by developments in the financial system," it said.

The Bank said that the blurring of the distinction between the activities of banks and building societies over recent years may now have reached a point where, in the interpretation of broad money, emphasis should be shifted to aggregates which include the liabilities of both of them.

The Government has already announced that it will not formally target Sterling M3 this financial year. This aggregate includes private sector holdings of bank deposits, but excludes private sector holdings of building society shares and deposits.

From now on Sterling M3 will be renamed simply "M3," while the current measure called M3, which includes all the components of Sterling M3, plus private sector holdings of foreign currency bank deposits, will be renamed M3c.

The Bank also introduces a new measure of broad money supply, which includes the components of Sterling M3 as well as building society deposits. This will be called M4.

Another broad money measure, M5, monitored for some time under the name PSL2, not only includes building society deposits but also some liquid national savings instruments, Certificates of Tax Deposit and private sector holdings of money market instruments such as Treasury bills, local authority bills and bankers' acceptances.

Bigger slice of incomes spent on servicing debt

MANY BRITISH households are now having to devote a bigger fraction of their disposable income to servicing their debt than at any time in the past two decades, according to the Bank.

This is one of the findings of an article on the financial behaviour of the personal sector between 1976 and 1985. There has been a near doubling in the real stock of liabilities held by the personal sector during the last decade which has given rise to concerns that the household sector is now becoming overextended.

This accumulation of debt has been accompanied by a substantial rise in net wealth, which in theory could justify increased borrowing.

However, the Bank points out that these overall trends may conceal divergent movements within different parts of the personal sector. In other words, the people building up debt are, in general, unlikely to be the same as those who are stocking up assets.

Research carried out by the Family Expenditure Survey suggests that it is mainly younger households that hold debt and older households which have assets.

Further evidence from Inland Revenue Surveys suggest that it is the younger and poorer households that face the highest debt-service ratios. Some in this category have been encouraged to take on more debt by the Government which has offered them the chance to buy council houses, the Bank comments.

The Bank points to the sharp increase in the number of households facing severe debt problems in recent years. For example, the number of houses taken into possession in 1985 was nearly seven times the number repossessed in 1979.

Such difficulties are not a feature of the housing market alone – there has also been a rise in the number of county court actions started to recover debt.

The Bank suggests that the expansion of the mortgage market may have led to a decline in the quality of loans, but that societies must still feel that it is profitable to do this despite the likelihood of more defaults.

A broad outline of the changes in the personal sector's balance sheet during the period shows that the ratio of gross liquid assets to income fell steadily during the second half of the 1970s.

This reflected periodic restictions on mortgage borrowing and direct monetary controls and guidance which limited bank lending.

This made it necessary for households to run down liquid assets to meet spending, rather than increasing borrowing.

In the 1980s, however, deregulation of financial markets has led to a period of intense competition in which financial institutions have not only widened the choice of assets available for personal sector funds but also offered new means of borrowing.

Liberalisation of markets could have weakened the leverage of monetary policy since those households which were previously liquidity restrained, are now able to maintain consumption levels more easily by borrowing, the Bank says.

On the other hand, the existence of a heavier debt burden may mean that spending will be more susceptible to policy-induced interest rate changes than before.

Tax and interest rate changes affect planning

THE LONG-TERM financing decisions of companies are heavily influenced by tax and interest rate changes, says the Bank of England.

It concludes that changes in the system of company taxation, introduced in the 1984 budget, may have had a profound impact on the dividend policy of companies and on the way they finance their spending.

It find that increases in long term rates of interest reduce dividends substantially, but if short-term rates rise relative to long term rates, the amount paid out increases.

The effects of tax increases can, however, be perverse. The Bank says that higher tax payments seem to raise dividends by quite large amounts. This is because a company with higher tax payments is more likely to gain tax advantages by distributing its income.

The Bank used data from 650 companies based in the UK, and producing annual reports every year between 1969 and 1984, to model flows of funds in companies. It distinguished between short-term flows and longer term, or strategic, financing.

The results showed that the size of a company affects its actions: smaller companies reacted more to increased risk, and, in response, reduced dividends and strategic debt financed by larger companies.

Larger companies appeared happier with high levels of strategic debt and financed more of their investment spending in this way. Large companies also responded more to tax changes.

The Bank found a considerable lag between changes in a company's circumstances and its dividend and strategic debt decisions – with some effects still emerging even after two years.

Short-term flows of funds in companies tended to be volatile, suggesting this is the first line of adjustment when planning for the short run and dealing with unexpected developments.

The amount paid out in dividends was more stable, but the ratio of dividends to profits net of tax was subject to large fluctuations. This implied that divident payouts reflected the longer term prospects of the company.

Eurotunnel is put on right tracks after breakthrough talks

BY ANDREW TAYLOR

EUROTUNNEL, the Anglo-French consortium, has won some ground after more than a month of wrangling over the charges the British and French state-owned railways will pay for using its tunnel. But not as much as it had asked.

The railways have resisted Eurotunnel's attempts to raise tariffs over the 55 year life of the tunnel concession while the consortium, by altering the timing and method of payments, has gained a greater flow and assurance of income during the important early years of the tunnel's operations.

The deal will increase the consortium's flexibility to raise the forecast rate of return to investors when it comes to publish its prospectus for this autumn's crucial £700m international share offer.

The breezy statements of confidence and mutual support which punctuated this week's announcements from the railways and the consortium belie the icy nature of some of the exchanges between the two sides during the negotiations.

The railways resented the robust manner in which Eurotunnel, led by its forceful new joint British chairman, Mr Alastair Morton, had publicly sought to put pressure on them to increase charges agreed in principle with the consortium September.

Eurotunnel, for its part, argued that this agreement was too generous to the railways and that BR and SNCF should be doing more to support a project from which they stood to make substantial gains.

In the event, neither side had anything to gain by being obdurate. The consortium's credibility, after having raised the issue of charges paid by BR and SNCF, would have been severely dented if it had failed to win any concessions. A compromise was finally agreed earlier this week at a meeting in London.

But of how much value are the concessions won by Mr Morton? He was appointed the consortium's joint chairman earlier this year, partly because it was felt that he had the tough management qualities that Eurotunnel needed if it was to succeed.

In one sense the deal will be a disappointment, given that Eurotunnel has not achieved the increase in tariffs for which it had asked. This was never likely to be conceded by the railways. Instead, they have agreed to a series of changes which will affect the timing and the way in which they make their payments.

The importance of these changes should not be under-estimated. To begin with, the railways have agreed to make a minimum monthly guaranteed payment to Eurotunnel, equivalent to around 60 per cent of forecast rail tolls. Any shortfall in revenue, as a result of rail traffic falling below this minimum level, will have to be met out of BR and SNCF's other commercial operations.

Previously, the minimum usage agreement, as the railways and Eurotunnel prefer to call it, had stipulated that only 40 per cent of forecast tolls would be guaranteed.

The arrangement will run for the first 12 years of the tunnel's operation and will, says Mr Morton, provide Eurotunnel with an assured source of income over this period. According to Eurotunnel, tolls will also be paid a month in advance.

The qualification that any shortfall in minimum usage payments be met out of the railways other commercial operations is important if the railways are not to be accused of providing backdoor state guarantees, outlawed under the terms of the Channel Tunnel Bill currently before the House of Lords.

The other concession won by Eurotunnel affects the weighting of the charges to be met by the railways, which will be heavier during the early years of the tunnel's operations.

The agreement with the railways should also pave the way for Eurotunnel to conclude loan and standby credit arrangements, worth £5bn with about 40 international banks.

EIB agrees £1bn loan facility

BY PAUL BETTS IN CALAIS

THE EUROPEAN INVESTMENT BANK (EIB) yesterday agreed to back the construction of the Channel tunnel with £1bn loans to the Anglo-French Eurotunnel consortium.

The EIB loan, coupled with a compromise agreement reached earlier this week between Eurotunnel, British Rail and the French railways, SNCF, over the price the railways will pay for use of the tunnel, has now "put the tunnel project back on the right tracks" after the uncertainties of recent months, Mr Jacques Douffiagues, the French Transport Minister, said yesterday.

Mr Douffiagues held talks with Mr David Mitchell, the British Transport Minister, in Calais after the British official visited the French tunnel construction site.

Mr Mitchell returned to London for a debate in the House of Commons last night enabling the Channel Tunnel Bill to be carried forward immediately after the general election. British officials said the legislation discussed last night would enable Parliament to pick up the passage of the Channel Tunnel Bill where it had been interrupted before the British elections.

TECHNOLOGY: Computing

BY ALAN CANE

Programmer productivity

How Chinacraft founded a software dynasty

MR BRYAN Snowden joined Chinacraft just over a year ago as data processing manager with one major objective—to take the UK fine china and hotelware group into the new world of in-store technology.

Formerly electronic point of sale (Epos) implementation manager for the Currys electrical goods chain, his job was to set up an Epos system for all 40 Chinacraft shops, together with group subsidiaries like Casa Pupo the pottery shop chain.

It took, however, only a superficial glance at Chinacraft's Barley Road, London, data processing installation to convince him that Epos would have to wait while he attended to more basic problems.

"The hardware, IBM System/34 and System/36, had too little capacity and the software was a mess," he says. "It would have been impossible to develop an effective Epos system on that basis."

Nevertheless, he is now in a position to start work on giving Chinacraft a competitive edge through Epos after clearing up the software mess in double quick time using an innovative software approach.

Epos is one of the most important steps on the road to electronic shopping; it requires that cash registers are replaced by computerised tills connected to an in-store computer. That computer is in turn linked over telecommunication lines to a data processing centre.

The advantages brought by Epos include faster management reports, better stock control and improved marketing information.

So Mr Snowden had to find some way of implementing an advanced computing and data communications project on the back of a system that was simply not up to it. And he did not have unlimited time or money at his disposal.

Gaining competitive advantage from the use of a technology like Epos is very much a matter of a system in the right place at the right time and at the right price.

He decided to scrap Chinacraft's entire installation, hardware and software and start from scratch.

Choosing new hardware was comparatively easy — the IBM System/38, a medium-range machine with a novel design (architecture) which makes it particularly well suited to handling business files, was a clear favourite.

Rewriting all the company's business software to fit the new machine was another matter.

Chinacraft had ruled out the use of packages, generalised software which would mean changes in the way the company handled its accounts, so tenders were invited from a range of software houses.

The bigger, prestigious software houses lost out on grounds of cost: "Those companies are still living in a world of mainframes and set their costs accordingly" Mr Snowden says tartly.

In the end he settled on Synon, a tiny, five-year-old company based in Islington, North London. What attracted Mr Snowden to the company was its acknowledged expertise in System/38 hardware and a special product, a package which would enable Chinacraft to write all its own System/38 software rapidly and economically.

Called Synon/2, the package is basically a set of software production tools together with an application generator, a piece of software which writes computer software automatically from very precise instructions governing what it is to do.

When Chinacraft first made contact with Synon, the package was not entirely finished; Mr Snowden was able to sell Synon computing time on his System/38 while the Synon team completed its work.

It also guaranteed a close working relationship between Chinacraft and the Synon specialists as they began to tackle the huge task of overhauling all Chinacraft's software.

There are a great many application generators in the market as well as so-called "fourth generation" languages, which are also supposed to make the production of high quality software faster and easier. Mr Snowden says, however, that he has never seen a generator for the System/38 which is as complete as Synon/2: "It is a start-to-finish product," he says.

Bryan Snowden (right) and Bond Street manageress, Greta Usher (left): Soon Chinacraft will be selling its products to the buzz of electronic registers

And what makes the Chinacraft development especially interesting is the production figures Mr Snowden has compiled for the project. His data processing team numbers only five in total; himself, a systems programmer, operations controller, operator and trainee operator.

Using Synon/2, however, he reckons to have generated some 1,660 programs already, some simple, others relatively complicated.

He calculates that his team is now producing a new program on average once every 1.65 hours. It all adds up to 447,000 lines of source code, software written directly by the programmer, at a rate of 114 lines of working code per man hour.

To give some idea of the productivity of Synon/2 compared with traditional methods of software development, received wisdom has it that 100-250 lines of code per man day is good going.

Synon/2 costs £27,000 and probably saves the cost of two conventional programmers. Mr Snowden estimates that it takes a good systems programmer three months to get up to speed using the package but that still implies a pay back in six months "and positive cash flow in two years."

Synon/2, according to Mr Simon Williams, co-founder and managing director of Synon, is a combination of three products, Synon/1, a programmers' workbench, S/38 Standards, a set of rules for programming the System/38 which Mr Williams believes is unique and which IBM itself endorses, and Synon/2, the application generator itself.

Synon/1, the company's first package, already has 150 users worldwide. In addition to Chinacraft, Synon/2 is used by Citibank, the US financial group which was a testing site for the product.

For Chinacraft, it has made possible some approaches that would be considered very risky in conventional data processing terms—for one part of the accounting system, for example, system testing was abandoned in favour of going directly to a live pilot. So far, it has proved satisfactory. Mr Snowden is now looking forward to the day when he can get back to his first enthusiasm, Epos.

When will the UK learn to trust IT?

UK COMPANIES are still refusing to take information technology (IT) seriously according to a new report, published last week.

Price Waterhouse, the management consultants, published its latest information technology review which suggests that for the second year running, UK companies are cutting the amount they plan to spend on computing and computer systems.

Its conclusions are based on a regular quarterly survey carried out in conjunction with the weekly newspaper Computing. The survey has, over the eight years of its existence, identified many of the important trends in British data processing.

The review says that on average, UK companies with data processing departments employing five or more staff are set to spend £1.6m in 1987, including the cost of hardware maintenance and telecommunications.

Excluding maintenance and data communications equipment, the planned expenditure turns out at £1.27m. Adjusted for inflation, the 1987 figure is 1.2 per cent down on the 1986 figure, which itself was 13.2 per cent down on 1985.

Professor Kit Grindley, author of the study, suggests that the figures for 1987 suggest a failure to recover rather than another fall.

He believes the chief cause is a new and very tough scrutiny of data processing budgets, quoting one data processing manager who said: "I guess top management were bitten badly in the early days. Or they find this 'competitive advantage through IT' idea that the business schools are pushing a bit dubious. No more tomorrow's world, they say, until we see some benefits today."

How much should a company be spending on IT? The Price Waterhouse study suggests an average in the UK, based on survey returns, of about 0.97 per cent of corporate turnover.

The survey picks up a trend, however, which has been noted in other research, that an appreciable proportion of information technology spending now takes place outside the IT budget.

It says that about one-third of IT expenditure in UK companies will take place outside the data processing manager's budget—in the US, the Diebold organisation estimated that in some companies as much was being spent on IT outside the official data processing budget as within it.

Adding in the spending outside the budget takes the total for UK companies to 1.5 per cent of turnover.

Meeting project deadlines remains the data processing manager's greatest concern, an issue that has been top of the "worry" list tracked by Price Waterhouse since 1982. Professor Grindley argues a little wryly that productivity aids have only made matters worse by encouraging demand for new systems.

On the positive side, the review suggests that the status

At board level the attitude is "No more tomorrow's world until we see some benefits today"

of the data processing manager is increasing by leaps and bounds. Within five years, it says, almost half of all managers will be on the board and the other half will be reporting to a board member.

"Five years ago" it says, only 18 per cent of data processing managers reported to the chief executive and a third did not even report at board level. Today there is a small increase in the number reporting to the boss. But those not reporting to somebody at board level has fallen to a fifth. And, to help things along, most have changed their title to IT manager."

There will be shifts in responsibility as the status of the data processing department rises. The department will be less concerned with total solutions to data processing problems and more involved in the construction of the "core systems," the foundations of the company's entire information technology strategy. The users will be able to build their own applications, so the argument goes, using the new software production tools like fourth generation languages.

IT Review 1987, Price Waterhouse, 1 London Bridge, SE1 QL9, free of charge.

Companies scrimp on measures to prevent system disasters

HOME computers and software packages figure prominently in the latest list of computer disasters in the UK compiled by Kenneth Wong and William Farquhar of BIS Applied Systems.

Fire and explosion remains the most common hazard, however, with some 36 per cent of all disasters recorded since the 1960s resulting from these causes.

The authors warn that although managers are aware of the threats to their ability to carry on their business if their computer systems are out of action, in many cases sufficient funds are still not being made available to provide effective cover.

Although computer disasters are uncommon, they say, the total effect on a company can be devastating: "The chance of a company suffering from a computer fire is roughly one in a thousand. On the other hand, standby provisions cost money."

They argue: "Many computer service managers are constantly reminded by senior executives that reasonable steps should be taken to ensure that the company does not suffer a major set-back in business operation, yet at the same time they have experienced great difficulty in obtaining a realistic budget for standby provisions to cope with an extended computer disruption."

Among recent examples they note the case earlier this year of a fire at the Open University which gutted a wooden computer room housing a Digital Equipment VAX and files of information stored on tape and disk.

The computer and the files were completely destroyed at a cost of some £500,000. The value of the programs and research data stored on the tapes and disks were incalculable. Back-up copies had been stored in the same room and were lost also.

The room had been built as a temporary measure some years before the disaster, but shortage of cash had prevented either a move to a permanent site or adequate fire prevention facilities.

Television comedian Tom O'Connor found it no laughing matter when his wife put a chicken in the microwave oven, turned it on—and wiped out thousands of his best jokes stored on his home computer.

The computer was being used in the kitchen in close proximity to the microwave. The BIS study suggests that the oven was leaking: "The waves created an intense localised force field which could have affected the voltage on the computer's disks and erased the data held on them."

A home computer proved a trial to a judge who used it to write up his ruling on one of the defendants in a heroin smuggling case. It took nine hours and he lost the lot when he pressed the wrong keys by accident.

The trial was put back a day while the judge prepared a second version of his ruling—a move which cost between £5,000 and £10,000 in legal and witness expenses.

Mr Wong and Mr Farquhar's study shows a strong increase in the number of disasters involving software over the past few years.

They say there has been an increased use of software packages bought off the shelf from software developers: "Unfortunately for some organisations, the packages failed to reach the required standard of quality."

Computer Disaster Casebook BIS Applied Systems, 01-633 0866, £50.

MANAGEMENT: Marketing and Advertising

Alfred Dunhill

Bringing order to a muddled image

BY FEONA McEWAN

MENTION Dunhill to a Japanese businessman and he'll very probably think of prestige menswear and accessories. Say Dunhill to his British counterpart and the chances are you'll bring to mind classy cigarettes or possibly posh men's lighters. Talk of Alfred Dunhill and you'll probably confuse everyone.

This fuzzy picture of what Alfred Dunhill stood for emerged when the 80-year-old family firm—purveyor to rulers and royals of fine tobacco, watches and suits—decided to take a long hard look at itself. The result: a new identity programme involving a thorough overhaul of its premises, its packaging and a stringent review of its merchandise.

In image terms, the retailer suffered from a dual personality, according to advertising agency BBDO, which has newly won the £5m Dunhill account. One was a stodgy stuffed shirt image, the other, epitomised by Edward Fox in the Day of the Jackal, understated, immaculate, classically well dressed as opposed to fashion conscious.

It is not hard to imagine which image the company wanted to see itself cast in. The task was to get its present and potential customers—and 40 per cent are women buying for men — in 20 countries, to see things their way.

A look at Dunhill stores around the world showed that it was less than surprising that perceptions were muddled. The disparate collection of branches was notable for its unco-ordinated look and lacklustre layout.

There was luggage in conveyor belt rows, watches—which start at £700—and covetable items hidden away in obscure cabinets. Five different advertising agencies around the globe and some seven public relations companies did little to draw together the group's piecemeal image. Its flagship, the Jermyn Street store in London, for instance, to which the Japanese in particular are drawn in droves, was a rabbit warren of dark corners, intimidating to the uninitiated and haphazardly laid out.

This lack of cohesion was a reflection of the way the business had evolved over the years. The company had begun in 1907 as a tobacconist, albeit an up-market one, keeping the high and mighty in cigars and tobacco. Customers have included Winston Churchill, Harold Wilson, Somerset Maugham, Frank Sinatra, Rudolf Valentino and the Duke of Windsor.

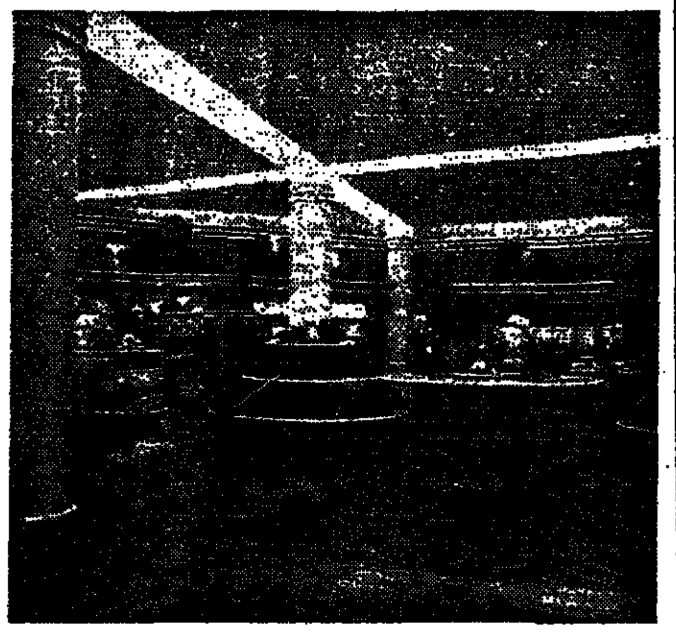
In the 1920s the Dunhill name spread on to watches, pens, leather goods, cuff-links; in the 1970s it flourished into full scale menswear. Now, barring underwear ("we're unlikely to get into this unless perhaps it's silk," says the company) and shoes (except in Japan) the discerning male can be decked out in Dunhill goods from socks to boater, blazer to brolly, wallet to tie.

The shift in emphasis has therefore been gradual and growing, but never fully flagged to the public, whose perceptions have lagged behind the reality. And this despite a global advertising campaign, and high-profile sponsorship of the Dunhill Cup Golf tournament which costs more than £1.5m a year. Compared with the competition —Yves Saint Laurent, Gucci, Valentino and Ralph Lauren—Dunhill was in danger of being left behind.

The reality of this shift is that 10 years ago smokers' products accounted for 90 per cent of Dunhill's turnover. Today it accounts for about 15 per cent. Fashion is 50 per cent and fragrancies are growing fast, accounting for about 10 per cent.

Dunhill may have moved more slowly than some of its competitors in co-ordinating its image but financial results suggest it wasn't doing too badly either. Unaudited group figures to September 1986 for Dunhill Holdings show group profits before tax rose by 25 per cent to a record first half level of £9.94m on turnover up by 13 per cent to £69.9m.

Marketing director Alan Catling, two years in the job, embarked on a cohesive retail



Landor's shop design pulls disparate elements into a cohesive whole

identity as a priority. In the bid for the account, Landor Associates, the American-based multinational design consultancy, better known for its airlines and packaging than store design, beat off both Fitch and McColl which specialise in retail design.

It became clear from the start that what had started out as a simple retail identity—refitting the shops—was a more deep-seated issue involving a repositioning of the company and its brand worldwide. Landor undertook a "store audit," assessing Dunhill stores in Munich, Hong Kong, San Francisco, London, New York and Japan.

In appeal and distribution Dunhill is that fairly rare item, a truly global brand. The Dunhill marque appeals to the discerning male—whether he is Japanese, American or British. Like the Coke bottle or the Marlboro cowboy, the Dunhill brand needs no translating.

At the core of the problem was the confusion between Alfred Dunhill, the name on the shops, and Dunhill, the brand.

The company was also unsure what to do with its tobacconist heritage. Since smoking is increasingly unfashionable (though not in Japan where 60 per cent of men smoke) it wondered whether to jettison smokers' products altogether.

Landor found that Dunhill represented different things in its three key markets. While the US, UK and Japan all saw Dunhill's message as meaning classic, durable, masculine, none saw it as meaning luxurious or reflecting a full range of merchandise. The aim of the design project was consequently to raise awareness of the full range and the luxurious nature of Dunhill merchandise.

Having defined what the brand needed to achieve, Landor focused on the brand's habitat, the stores. "The store design must follow through that message. You can't have the brand saying one thing and the shop saying something else," says Alan Brew, general manager of Landor Europe.

On the tobacco front, the verdict was "keep it." It had a masculine quality, with overtones of tradition, heritage and craftsmanship, all of which the company likes to think it embodies.

Landor's solution has been to position the semi-circular tobacco area at the apex of the London store, visible from the entrance, but to get to it, shoppers must pass by the gamut of Dunhill merchandise. The idea is to encourage more impulse purchasing, says Brew, since tobacco is normally a premeditated buy.

With the London store now open, the company will be updating its stores and shops-within-shops around the world, starting with Japan.

Everyone at Dunhill professes to be delighted with the new look store, but as Alan Catling puts it, the real results of this expensive manoeuvre will be shown at the tills.

Glenfiddich centenary

Some whisky — some party

James Buxton on a marketing extravaganza

David Grant, grandson of the founder, William Grant: budgeted an extra £500,000 for its centenary promotions

IF YOUR company was established in 1887 and every bottle of the single malt whisky you are selling proclaims the fact on its label you obviously have to do something when 1987 comes round. But the response of William Grant and Sons, distillers of Glenfiddich whisky, is exceptional.

From late last month until the end of June, William Grant is holding an almost continuous stream of Scottish country house parties for its leading retailers, salesmen and distributors, and ther wives, as well as a few journalists.

Some 650 people are scheduled to fly to Aberdeen, at the company's expense, mainly from overseas—some as far away as Australia. In groups of not more than 20 they each spend 36 hours staying at Pittodrie House, a country hotel set in splendid Aberdeenshire parkland, which William Grant has completely taken over for the period.

Instead of numbers the bedrooms have names—like Tower Room or Turret Room. To complete the atmosphere of a family home Grant family photograph albums and books have been dotted round the rooms, and the locks on the doors have been taped over.

When I went the host was David Grant, the sales and marketing director and great-grandson of the founder. On the first night, when he and his colleagues were offering their guests after-dinner games of snooker, he was wearing the suit of a London marketing man —which is what, most of the time, he is. But next morning he was in his kilt to lead the party to Dufftown (45 minutes away) where we toured the Glenfiddich distillery in considerable detail.

And he was even more resplendent for the black tie dinner that evening. Pronouncing some verses of Burns in a strong Scottish accent and ferociously wielding a knife at the same time, he cut the inevitable haggis, which had been ritually piped in. After dinner there was highland music and entertainment in the drawing room and the guests even joined in singing Over the Sea to Skye—from a song book which William Grant has had specially printed for the centenary celebrations.

William Grant has budgeted an extra £500,000 for its centenary marketing and promotion operations; last week 170 people from the British distribution trade travelled north by private train.

The aim, as David Grant explains, is to "use this once-in-a-hundred-years opportunity to motivate these people so that they go away thinking that this is the company they want to do business with and these are the brands they want to promote." The brands include not only Glenfiddich, which accounts for about a quarter of William Grant's sales, but its blended whisky, Grant's (formerly called Grant's Standfast).

While sales of blended whiskies—the standard Scotch —have fallen by 5 per cent between 1977 and 1986, single malt whisky has steadily increased its sales over that period so that it now accounts for 5 per cent of global Scotch whisky exports by volume.

The single malt market was virtually created by William Grant and Sons which, in the early 1960s, began a determined long term campaign to market Glenfiddich; in common with other highland malts, Glenfiddich had previously been thought too strong in flavour and body for anyone outside the Highlands.

The campaign was so successful—first in lowland Scotland and England, and then in the rest of the world—that whereas in the late 1950s the Glenfiddich distillery was delivering only about 500 cases of whisky a year, by last year it had passed the 500,000 mark.

Glenfiddich can confidently claim to be the best-selling single malt in the world—in a market for which more than 100 brands are in competition. According to the drinks magazine Impact International, Glenfiddich is the best-selling single malt in the UK (with 45 per cent of the market), France (49 per cent), West Germany (44 per cent) and is number two to The Glenlivet in the US (where its share is 22 per cent). But it has only 2 per cent of the world's biggest single malt market—Italy—which is dominated by Glen Grant.

Largely because of Glen Grant's phenomenal success in Italy, Glenfiddich's share of the total world market for single malts has, according to Impact International, fallen from 39 per cent in 1980 to 31.9 per cent in 1985. There was also a fall in its UK market share in 1985, though it recovered last year.

The world market share statistic does not appear to worry David Grant unduly. He argues that in most countries Glenfiddich does not have major individual competitors in the single malt market, much of the rest of which, he points out, is fragmented between a mass of small, specialised brands. Rather, he argues, Glenfiddich is competing against other premium whiskies—which may be de luxe blends like Chivas Regal or Johnny Walker Black Label. "People buy Glenfiddich because it tastes better which is because it is a single malt," he argues. "They don't buy it simply because it is a single malt."

Glenfiddich, he claims, is rapidly catching up with Chivas Regal in major markets such as France, West Germany and the Far East.

However, the competition varies from market to market and the aim is to send retailers, distributors and salesmen away from Pittodrie determined to give more shelf space and promotional effort to Glenfiddich and William Grant's compared with their perceived rivals in their own countries—whether these are other single malts, premium blends, or other drinks altogether. This means carefully tailoring the message to the individual audience.

The salesmen coming to Pittodrie are the winners of an incentive competition operated last year; to them the message is a simple "get out and sell more."

The high point of the tour is the visit to the distillery where William Grant and Sons has succeeded in imbueing the relatively simple process methods of making whisky with something close to reverence for the methods laid down by the founder. The stills are polished like the brass of a pre-war Cunard ship, the lawns are manicured to perfection and where the company has had to decide between efficiency and tradition it has often chosen the latter. Production is controlled by brass taps, not by an electronic panel. "The emphasis is on tradition, craftsmanship and quality," says David Grant.

These values should also impress the 100,000 or more visitors who take the free tour of the distillery every year, each getting a free dram and usually pausing at the shop on the way out. For, as David Grant says, "an American or a German can't sit back in his chair and say 'I saw this whisky being made' unless he has a glass of it in his hand."

THE ARTS

Leeds City Art Gallery/William Packer

The hard legacy of Jacob Epstein

The major exhibition of the Sculpture and Drawings of Jacob Epstein, organised by the Henry Moore Centre for the Study of Sculpture at Leeds City Art Gallery, will come to the Whitechapel Gallery in London later in the summer (July 3—September 13). But, with Epstein's sometime protégé and later rival, Moore himself so splendidly celebrated in the open air at the Yorkshire Sculpture Park only a few miles away (until August 31), the chance to see the show at Leeds (until June 21) and make comparison direct is too good to miss.

The exhibition at both venues has been sponsored by the Henry Moore Foundation, with the Midland Bank as co-sponsor in London. A particular fruit of this partnership is the magnificent catalogue—no mere list but a full and definitive *scholarly symposium. Fully* illustrated and 290 pages long, it is available during the life of the exhibition at the extraordinary price of £8.00, a snip indeed.

Epstein was born in New York in 1880 of Polish Jewish immigrant parents. He studied there, at the Arts Students' League, from the age of 13. In 1902 he left for Paris, and in 1905 he moved to London, which was his home for the rest of his life. Indeed, he became a British citizen in 1910, and by a nice coincidence it was Winston Churchill, who was later to sit to the distinguished portrait sculptor, who ratified his papers.

He was thus, by some 18 years, of a significantly earlier generation of artists than Henry Moore, and an heroic generation at that. Almost an exact contemporary of Picasso, for example, who had migrated to Paris only a year or two before him, Epstein was not merely influenced by the modern movement in that astonishing early phase after the turn of the century but was in position to take an active part in it.

With Rodin as the presiding deity, the European peers of *ce sauvage Américain*, as he was called when he first arrived, were, in sculpture alone, such artists as Bourdelle, Maillol, Laurens, Modigliani, Brancusi, Gaudier-Brzeska, Zadkine and Mestrovic. And there were, of course, the *painters*.

Though the move to England at such a time might have seemed a perverse act of self-isolation, the general ease of movement and the truly international freemasonry among artists of those days made sure it was nothing of the kind. Epstein in London seems to have been something of a focus and a draw to his fellows, for Gaudier soon visited and later settled in London and Mestrovic was working in London by 1914. Certainly he was at once a central figure within London's avant garde, bringing with him the experience and example of the Parisian forcing house. And it was inevitable that, after Marinetti's flying visits in the early 1910s as the apostle of Futurism, he should join Wyndham Lewis in the Vortex.

Epstein left Paris with Gauguin lately dead in the *South Seas and Picasso scouring* the Musée de l'Homme for primitive African and Oceanic carving. In London he made the British Museum his own, and soon began to collect the ancient, archaic and primitive art of all kinds that was to be a life-long obsession. His work naturally reflected such serious interests; it was immediately controversial.

Controversy dogged him throughout his life. His first major public commission was for the large relief figures on Charles Holden's British Medical Association Building *in the* Strand, which he completed in 1908. Immediately, the National Vigilance Association complained of their indecency, and a general hue-and-cry went up in the papers. But architect and clients stood firm and the figures remained for the moment inviolate. It was only *30 years later, when the building* was owned by the Government of Southern Rhodesia, that the great sequence of carvings was openly defaced under the pretext of making the building safe.

The traces remain to this day, a visible monument to crass official philistinism and general indifference. The *sculptural quality of the figures* is evident in the photographic record, for they appear to have been as fine as anything he ever did. The suspicion is confirmed in this exhibition by the one full-size plaster maquette that survives, lent by the National Gallery of Victoria, for the figure of "Maternity."

It is a working model, unprepossessing and rather cut about; but it is strong and sure in its modelling, tender and humane *in its understanding*, and very beautiful.

In 1954 Epstein accepted a knighthood, which Moore was never to do. But he was never to be the establishment figure in the art world that the younger man already was. He was ever the outsider, and his Jewishness cannot have helped. In all the cartoons and satires on him and his work that *proliferated through the 1920s and* 1930s, it is less the general hostility to modern art than the open and personal anti-semitism which seems now so shocking and depressing.

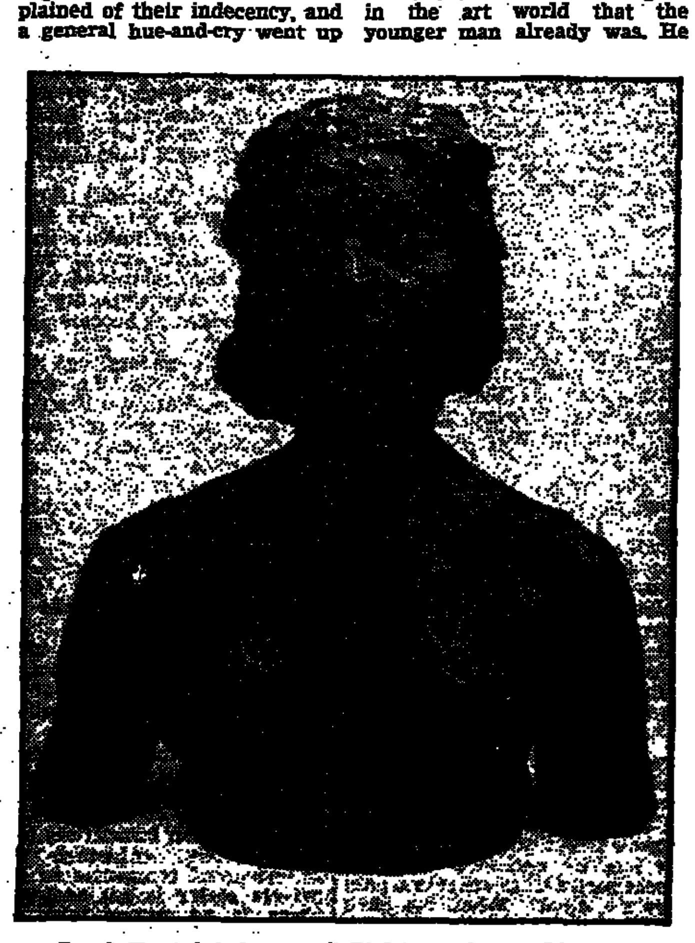
Though their friendship had cooled considerably with his success, Moore was ever grateful to Epstein for his early and generous support, and was *especially conscious of what the* older man had suffered for the sake of art and the general good. "He took the brickbats, he took the insults, he faced the howls of derision with which artists since Rembrandt have learned to become familiar. And as far as sculpture in this century is concerned, he took them first . . . And I believe that the sculptors who followed Epstein in this country would have been more insulted . . . had the popular *fury* not partially spent itself on him, and had not the folly *of that fury been revealed.*"

Where Moore turned to modelling only well into mid-career, Epstein began to carve while still in his 20s, and throughout his career modelling and carving ran counterpoint.

As a carver, Epstein was always the more formal and hieratic, less in the round, his work best seen in a contained or directed situation, and perhaps ideally in relation to a building rather than the landscape so ideal for Moore.

As a modeller, Epstein always stayed close to the figure, *working the image* directly and naturalistically within the romantic expressionism devolved from Rodin. In the later work, his mannerisms in the handling of clay obtrude too much.

But this exhibition makes it clear how brilliant a modeller of the head and figure the younger Epstein was, and to *what extent we have forgotten* how the portrait bust may be modern and, at the same time, great art.



Jacob Epstein's bronze "Girl from Senegal," 1930

LP will aid Save the Children Fund

All the proceeds from the NatWest Jazz Band's third album *You Can Bank On Us* (just released) will be going to the Save the Children Fund.

On this LP and cassette of dixieland jazz, Humphrey Lyttelton is guest trumpeter with the 10-strong band, which usually consists of full time or retired members of bank staff, but on this occasion, was augmented by a customer, well known pianist and bandleader Keith Nichols.

Titus Andronicus/Swan, Stratford-upon-Avon

Michael Coveney

Long after the Augustan Golden Age, Rome is a wilderness of tigers in *Titus Andronicus* and director Deborah Warner, making her RSC debut in the Swan at Stratford-upon-Avon, lets loose *the revenging dogs of war* in all their teeth-baring savagery on a bare boards setting with an upper tier. The RSC came a terrible cropper with this piece, much mutilated (like most of the characters in the play) in a double bill of 1981; in the Roman play sequence a decade earlier, Trevor Nunn appended this barbaric coda *with Colin Blakely* sketching out the King Lear he never gave.

The new Titus, Brian Cox, is an actor much in the Blakely mould but with his own especial brand of light mockery and playfulness. This is a marvellous role for him and he takes it in both hands, or at least one, after he has cut off the other.

The evening is a success, Mr Cox striking a monumental picture of cadaverous grief while the horrors pile up around him. This, you recall, is the *play of which Max Bygraves* once sang "You Need Hands." Titus's daughter Lavinia is raped and mutilated, her hands cut off. Then Dad cuts off his hand as part of a bargain that is never properly struck.

The catalogue of murder and torture characterises a gruesome interregnum between two imperial installations. Titus, *victor over the Goths, returns* with Tamora, their Queen, and her sons stockaded in a ladder. The ingenuity of Miss Warner's vision, evidenced in her Poor Theatre productions of *King Lear* and *Coriolanus* for the company she founded, Kick Theatre, presses the same ladder into service as a cruciform gallows for Aaron the *Moor*.

The Swan is really all the décor you need, and Miss Warner's enforced economy of staging theatre shows no sign yet of hardening into self-conscious style. In his second large scale performance of the *season. Mr Cox has a field day* as the war hero who turns plaintiff in his own land before feigning madness and playing the role of a sadistic revenger. Much of what makes Titus a going concern for audiences today is its underlying question of how best we express grief, and its challenge to our capacity for horror.

Sonia Ritter and Brian Cox

These are deep philosophical matters and I have never experienced them so well considered as in this production. The play renews for us a sense *of shame and horror at the* infliction of rape and casual mutilation. A precedence for this close contact chamber of horrors was a 1978 Bristol studio production by Adrian Noble, Simon Callow whooping it up in the lead. Mr Cox's assumption *of madness is much* more transparent, his occupation of the Sweeney Todd role both carefully mapped-out and deeply sinister. When he breaks his own daughter's neck, *as though she were a discarded* dummy on a ventriloquist's knee, it is the merciful release of a young girl who has lived too long without feeling. The role is played with a terrifying numbness and not a little grace by Sonia Ritter, a fine young actress sensibly retrieved from the 1985 RSC tour.

I miss a whiff of Marlovian *relish in Peter Polycarpou's* Aaron. Verse-speaking standards of the main stage show alarming signs of infiltrating the Swan. For instance, Donald Sumpter gives an otherwise touching and constant reading of the loyal brother, Marcus, but *seems reluctant to articulate* the verse and hit any kind of metrical rhythm. The return of Estelle Kohler to the company after 14 years away is an especial treat. She can teach them a thing or two about attack, pace and vocal bite. She makes of Tamora a full-blooded plotter, sleeping her way to power with Jim Hooper's dozy Saturninus and loving every minute.

The whistling dwarfs out of *Snow White* are a mistake but Miss Warner redeems herself *by using these full-size* impersonators as a chorus and turning the spotlight on the audience for the extended obsequies and epilogues.

Ballet Rambert/Sadler's Wells

Clement Crisp

The qualities that mark the identity of Ballet Rambert under the artistic direction of Richard Alston—an alert ear for new music; a quick eye for fresh, painterly design—were to be admired in the first programme of the company season which opened on Tuesday. So too, the spare choreographic outlines of the troupe's dance identity.

Four works were on view. Two—Ashley Page's *Carmen Arcadiae* and Alston's *Zansa*—were repeated from last season. Two others—Alston's *Dutiful Ducks* and Siobhan Davies' *Rushes*—are works revived from previous incarnations. *Dutiful Ducks* was made as a solo for Michael Clark in 1982, when it capitalised upon the dancer's quick, elegant footwork and distinctive carriage as he beat and bounded to the accompaniment of Charles Amirkhanian's spoken text which gives the piece its title.

Alston has re-worked the dance, retaining the original Clark solo which springs quite naturally from the inconsequentialities of Amirkhanian's words, and extending it by an entry for three girls who embroider the original choreography round the male soloist, Gary Lambert. It is a light-hearted, brief, buoyant interlude, marked everywhere by the quick cut of beaten steps and pouncing jumps. I thought it great fun, and featly done by its cast.

Rushes is altogether more serious. Created in 1982 for Second Stride, it finds Siobhan Davies responding to three concerns: the gradually developing complexity of Michael Finnissy's piano score, with its descending notes which begin as a gentle shower and end in a deluge, and the double meaning of the title. We see three couples, posing gently, moving cleanly through movement that is worked and reconsidered, as if the choreographer were viewing filmed 'rushes' of their activity.

Rushes is a fascinating piece, and it keeps eye and mind happily on the *qui-vive* as the dance links and separates its cast, among whom Lucy Bethune and Michael Hodges seemed particularly deft.

Zansa, with its contrasts of tough, muscular movement and sudden serene interludes, responds very exactly to Nigel Osborne's score and John Hoyland's fine design. *Carmen Arcadiae* looks, in the context of the rest of the repertory, *like a dutiful essay, but it is* driven along by Harrison Birtwistle's music, and the eye is refreshed by Jack Smith's colourful design.

Barnaby and the Old Boys/Theatr Clwyd, Mold

Martin Hoyle

Douglas Heap's design provides a visually thrilling opening to Keith Baxter's new play at the Theatre Clwyd, the drama capital of north Wales. The steep, shining grid of horizontal metal bars that slopes downstage towards us fleetingly re*calls the celestial staircase of* the old Powell-Pressburger film, *A Matter of Life and Death*. As smiling Hywel (Phillip Joseph), in a pool of light, reminisces about the last Christmas gathering in the family home and, it will emerge, his last on earth, the resemblance seems apposite. Wagner on the radio accompanied the crossing of the un-rainbowed Severn Bridge into the Valhalla of South Wales, as his friend Barnaby remarked.

After years in Canada Hywel has returned to the converted railway carriages, extended into a home by his father in the Depression, that must be sold up now that Mam is dead. He brings his room-mate Barnaby to the family party. Barnaby is black, which causes a mild frisson, and Hywel's lover, which leads to tragedy.

The family includes grizzled Dafydd (Michael Craig), an old-style socialist MP ousted by his reselection committee after 27 years; snobbish Robert, married into new (English) money; and silly, sentimental *Glynis, adorer of royalty and* dissolver into tears at the least provocation; and their respective spouses.

Best known as an actor, Mr Baxter has written a thoughtful and warm-hearted piece, some of which sounds as *if* it would make an absorbing, wryly nostalgic novel. Not all the characters are hatched into fully-fledged *life*, but certain passages stand out: the almost documentary counts his escape from the criminal ghetto via an athletics scholarship; the scene where Glynis tearfully pours out the sexual barrenness of her marriage to her sisters-in-law; teenage Sian's recollection of the last dance in an old hall-cum-cinema scheduled for demolition, plastic roses arranged round the scaffolding. All compelling and touching.

As yet even Barbara Leigh-Hunt's ripely tolerant Angharad, Dafydd's wife, is stuck in stereotype. And the author improbably allocates to snooty Rowena, Robert's English catch, the lower middle-class term of disapproval, "common." *The writing tends to underline* too heavily (her sons are called Tarquin and Piers). Would even this icy, moneyed princess of the disdainful cocktail circuit be quite so rude to all of the people all of the time?

On the credit side, the motives, of course, confused Vic, the extrovert who turns poisonously and fatally against his boyhood friend, are left to our imagination—none of the expected cliché confessions of suppressed yearning. (Only Brian Croucher's irredeemably cockney shot at north-country—give over, chuck.) And the initially dull Robert—conventional, proper, anglicised—becomes a rounded, complex character with his brisk concern and unsentimental affection for *his young* brother, shot through with dry self-mockery: all beautifully judged by Robert Blythe.

Toby Robertson's direction evokes uniformly fine playing. *Jennifer Hilary's rueful, cool* beauty stylishly hints that sympathy is not quite extinct in Rowena; Deborah Norton's Glynis is movingly muted and Paul Dixon makes an outstanding professional debut as a tough, tender, sweet-natured Barnaby.

Cheltenham Music Festival

The emphasis at the 43rd Cheltenham International of Music, to run from July 4-19, will be on modern French music. There will be retrospective programmes of the music, of Roussel and Ravel, who both died 50 years ago, and work by contemporary French composer, including the world premiere of a piano trio by Jean Françaix. Alain Louvier will be one of two composers-in-residence. *Six of his works* will be British premieres, one a world premiere.

The other composer-in-residence will be Judith Weir. The Kent Opera will give the *world premiere of her opera A Night at the Chinese Opera*. There will be an evening of Chinese music and dance the following day.

First performances will include works by John Tavener, Stephen Dodgson, Kenneth Leighton, David Bedford and Richard Rodney Bennett. The Hagen, Chilingirian, Lindsay Endellion Quartets will play; Kyung-Wha Chung and Xue will give all the Bach unaccompanied violin sonatas; the Northern Ballet Theatre will dance *Coppélia*, and Kent Opera will also give *The Magic Flute*.

All-night TV for London approved

Thames Television has received formal approval from the Independent Broadcasting Authority to transmit programmes throughout the night. *The all-night service*, in the Thames transmission area, will start on Monday June 1 and operate for two months until 4.00 am. The hours will be extended until 6.00 am from Monday, August 3 when pre-planned IBA transmission work is completed.

Perlemuter/Wigmore Hall

Max Loppert

On Tuesday, at the second of his two Ravel recitals, Vlado Perlemuter played as his main offerings *Valses nobles et sentimentales* and, after the interval, *Gaspard de la nuit*. It was with these two works that Michelangeli reached the peak of an unforgettable London recital not long ago; it seemed impossible to *contemplate* hearing them again, and so soon afterwards, with any patience.

But Perlemuter not only made it possible; he made the works indelibly his own, as he has every time he has played Ravel in London in recent memory. It hardly needs saying that the technique of the senior pianist—83 later this month—has not the resilience of the brilliance of Michelangeli's; that was never the point of his performance. In the New Grove Perlemuter entry, William *Glock writes of his "conception* of . . . music that is very grand and simple, and neither fastidious nor showy."

No better summary description of last night's *Valses* could be imagined: in it there was displayed a supreme confidence about matters of style, nuance, rhythmic movement, and tone colour arising from a total absorption in the music itself, and a command of the keyboard grown out of a perpetually fresh and uncomplicated (yet at the same time highly subtle) sense of Ravel's keyboard world.

There were passing inaccuracies. They were untroubling—Perlemuter admirers have long learned to take them in their stride. The short pieces that had begun the concert—the *Menuet antique*, then the *Pavane for a dead Infanta*—had been rather more flustered and unsettled. But at the start of the second half the group that included a translucently limpid *Jeux d'eau produced more* vintage Perlemuter; and *Gaspard* itself was a kind of miracle. Again, it was not note-perfect; but it was shot through with wonderfully simple, surprising beams of light, unhurried, direct-speaking perceptions, and at the same time a feeling of excitement all the more binding for being so patiently built up. No pianist before the public better deserves or justifies the epithet "aristocratic."

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

May 8–14

Exhibitions

LONDON

The Tate Gallery. Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal Stirling has decreed for the principal galleries is a far cry from the rich plum he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in-restoration or on loan is on the wall.

PARIS

French drawings: At the beginning of the 18th century Louis XIV's love of the grandiose gave way to an art more *intimate*, more pleasing. A new generation of artists around Antoine Watteau introduced colour as well as a lightness of touch into their drawings under the influence of Venetian and Flemish masters. Musee du Louvre, Pavillon de Flore. Closed Tue. Ends June 1. (4260 3926).

Tanis, The Gold of the Pharaohs: Part of a dazzling treasure from the tombs of the pharaohs of Lower Egypt is on view in the Grand Palais. Gold, silver and lapis-lazuli funerary masks, pectorals and ceremonial vases were discovered in the late 1930s in the delta of the Nile, in Tanis, the capital of a country torn by internal strife. Yet the relative impoverishment seems to have inspired the royal craftsmen with an elegance whose near-classical restraint appeals to modern sensibility. Grand Palais, closed Tue, Ends July 20 (4289 5410).

Costume-Coutume. Where better to stage an exhibition on clothes and their sociological significance than in Paris, whose very name is synonymous with fashion! The imaginatively presented exhibition ranges from the breeches and tunics of ancient Gauls to the rare exhibits from the 18th century – le Habit Français – and to Edith Piaf's legendary little black dress. Grand Palais (Closed Tue, Wed late closing) ends June 15 (4289 5410).

Berthe Morisot: More than 40 oils, pastels, watercolours, crayons and sculptures retrace the development of the woman painter who, influenced at first by Corot, became a friend of the impressionists and took part in their first exhibition. Galerie Waring Hopkins, Alain Thomas, 2. rue Miromesnil (426 55135). Opened all days except Sundays and lunchtime. Ends June 27.

WEST GERMANY

Bonn, Städtisches Kunstmuseum, Rathausgasse 7: A retrospective by August Macke (1887-1914). Born in Meschede, Macke studied in Düsseldorf and Berlin under Lovis Corinth. He did much of his work in Bonn, and was responsible for a new art form Rheinische Expressionisten, before the First World War. His journey in the spring of 1914, with Paul Klee and Louis Moillet, to Tunis became a landmark in art history. In the same year he was sent to the front in France, were he died, aged 27, in action in Champagne, Ends May.

ITALY

Venice: Palazzo Grassi: The Arcimboldo effect: a curious and stimulating exhibition centred on the neglected 16th century Milanese mannerist painter, Giuseppe Arcimboldo. Much appreciated in his own lifetime for his extraordinary composite portraits, in which the features of the sitter would be composed of the tools of his trade. – Pots, pans and vegetables for the cook (which turned upside-down becomes merely a still-life) or books for the librarian. – Arcimboldo spent most of his working life outside Italy, in the service of three Hapsburg emperors. Included is his arresting portrait of Rudolf II as the Etruscan god Vertunno, made up of fruit, vegetables and ears of corn. The exhibition contains works by Arcimboldo's predecessors, such as Leonardo, Durer and Posch, as well as those of artists active in the early years of the 20th century. It attempts to draw links. – some obvious (Dali, de Chirico, Man Ray and Duchamp). Ends May 31.

Milan, Palazzo della Triennale: Imaginary Cities, A Journey Through Italy and Nine Projects for Nine Cities. An exhibition in two sections. Nine groups of young architects, Italian and foreign, examine the history and development of cities as diverse as Rome, Naples and Turin. In the second, they make imaginative suggestions to solve overcrowding, urban decay and uncontrolled development. Far from being futuristic, some of the projects hark back to the original city plans, in the case of Rome, suggesting a re-division of the city into seven distinct centres, based on the ancient Roman city plan. Ends May 17.

NETHERLANDS

Amsterdam, Van Gogh Museum. Thirty paintings by some of the leading French Realists and Impressionists on loan from New York's Metropolitan Museum. Extending from Delacroix to Gauguin, with a sprinkling of Vincent van Gogh's favourite artists, there are landscapes by Millet, Corot and Monet, a Cézanne still life, Manet's colourful and supremely self-assured Young man in the Costume of a Majo, and Pissarro's evocative Boulevard Montmartre. Ends May 31.

Rotterdam, Prins Hendrik Maritime Museum. Centred around two hugh decorative wall maps, The World According to Blaeu examines the history of the famous 17th- century family of cartographic publishers, whose superb, detailed charts were based on the latest information from ships' journals and seamen returning from voyages to the Republic's far-flung trading outposts. Ends May 25.

SPAIN

Madrid, Daniel Aubry. American Icons. Photographs by young artist in his many travels. Achna, San Bernardo 107. Ends June 5.

Madrid, Centro de Arte Reina Sofia, Santa Isabel 52. Raumbilder: 5 German sculptors in Madrid. Ends June 22. Also: American Dreams. 116 photographs by 35 photographers from 1880. Ends July 6.

Madrid, a Franck Auerbach retrospective. 40 oil paintings by the German artist who moved to the UK in 1939 and is an exponent of the figurative expressionism tradition. This show, sponsored by British Council, was recently seen in Hamburg and Essen. Centro de Arte Reina Sofia, Santa Isabel 52. Ends Jun 1.

Barcelona, Auguste Rodin. 60 bronze figures and 40 watercolours on loan by Musée Rodin. Catalogue shows artists' influence on Catalunya's art schools and the Noucentisme. Museo de Arte Moderno, Parque de la Cindadela. Ends Mid-June.

WASHINGTON

Hirshhorn: 30 paintings from the permanent collection trace the use of bridges as symbols of modernity and the past in works by Thomas Eakins, Winslow Homer, Raphael Soyer and Louis Lozowick among others. Ends May 24.

NEW YORK

Cooper-Hewitt Museum: The design wing of the Smithsonian housed in Andrew Carnegie's Fifth Avenue mansion, features a special show on folding fans. Organized by textile conservator, Lucy Commoner, the fans reflected the fashions of the times during their heyday from the 17th to early 20th centuries, as demonstrated in the 80 pieces of various shapes and designs. Ends May 31. (91st & 5th Ave).

Metropolitan Museum: 48 key Impressionist and Post-Impressionist works from the Courtauld Collection tour America, including works by Cézanne, Manet, Renoir, Seurat and Gauguin. Ends June 21.

CHICAGO

Art Institute: The 1985 Grand Palais exhibit of Lartigue's 1920s photographs shows the evocative panoramas and fleeting moments on the streets of Paris between the wars. Ends June 28.

TOKYO

Paul Gauguin (1848-1903): In Search of Paradise. This large exhibition comprising 151 oils, woodcuts, sketches and some sculpture reflects Japan's love-affair with European Impressionism and Post-Impressionism. The first style of Western art encountered by the Japanese when the country opened up to the West in the late 19th century has remained favourite. Works in this exhibition include those from Gauguin's earliest period, showing much affinity to the style of his contemporary and close friend, Van Gogh, and his mature Tahiti period of bright colours and bold patterns. Note the dramatic contrast between Two Nudes on a Tahitian Beach with the earlier Bathers at Dieppe. There is much evidence of Van Gogh's oriental influence. National Museum of Modern Art, Takebashi, near Otemachi business centre and Imperial Palace Moat. Takebashi station, Kitanomaru Park exit. Refreshments on 4th floor. English labels; detailed English catalogue available. Ends May 17. Closed Mon.

Saleroom/Antony Thorncroft

Favourite Munnings

An idylic English summer afternoon captured by Sir Alfred Munnings in 1910, and showing a lad beneath some trees with a group of horses, sold for £156,200 at Sotheby's yesterday in an auction of modern British paintings. The price was just above the top estimate.

Munnings, in his autobiography, considered this to be his favourite picture. The horses were his own, and the scene is based on a spot near Hoxne in Norfolk. All told the 222 paintings, drawings and sculpture in the sale brought in £2,501,070, a record for this sector at Sotheby's. *Just over 13 per cent* were unsold.

Many new artist records were established, most notably the £96,800 paid by the London dealer Kirkman for a view of the facade of St Mark's in Venice by Walter Sickert. Another dealer paying a record price was Whitford and Hughes, who secured "A country window" *by the New Zealand artist* Frances Hodgkins for £68,200. Painted around 1930 it has a still life, of fruit and flowers, to the *fore and a landscape* beyond.

Another popular artist, at least with a certain kind of collector, Sir William Russell Flint also set a new record, a bid of £28,600 securing a watercolour of a lightly clad model inspecting drawings of her predecessor. Other records were the £28,600 paid for "Fishermen in a boat," by *Prunella Clough*; the *£17,600* for a still life of flowers by Cecil Kennedy; and the £18,700 for "Llanthony Abbey," a 1941 view of the Welsh ruin by John Piper. *A portrait of the writer* Lord David Cecil by Henry Lamb, captured in 1935, was also a record, making £24,200.

Modern British pictures are a particularly strong market at the moment, stimulated by the improvement of the British economy, and a growing awareness of the talent of home grown artists in the past hundred years.

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Thursday May 14 1987

Why growth has slowed . . .

THIS WEEK'S OECD ministerial meeting in Paris has been a mixture of the familiar nd the not-so-familiar. Mr James Baker, the US Treasury Secretary, launched yet another strongly-worded attack on macroeconomic austerity in Japan and West Germany, warning once again that the US can no longer provide a powerful stimulus through growing trade and budget deficits.

Mr Jean-Claude Paye, the OECD secretary-general, on the other hand, while agreeing that world economic prospects are dismal, seemed relatively uninterested in questions of macroeconomic demand management. Rather than unveiling new OECD thinking on fiscal, monetary or exchange rate policy, he released a study. Structural Adjustment and Economic Performance, that focuses on possible microeconomic causes of slow growth and high unemployment in the 1980s.

The Paye report starts by poiting to an obvious paradox Economic circumstances appear to favour strong growth: inflation is low; energy and raw materials are relatively cheap; and "far-reaching structural change in industry has rendered many firms more efficient." Yet growth in the industrialised world remains sluggish and falls "well short" of earlier expectations. Why?

Crucial role

The search for an answer takes the Paye report, the culmination of a two-year study by an OECD taskforce, back to the origins of the post-war world economic recovery. Why did OECD economies grow two-and-a-half times as rapidly between 1950 and 1973 as in the four preceding decades and roughly twice as fast as in the years from the first Opec oil shock to today?

According to the OECD, the *liberalisation* of markets played a crucial role. Trade barriers, which had proliferated in the 1920s and 1930s, were progressively dismantled. In Europe and Japan, the web of industrial cartels that governments had helped establish in the inter-war years were broken up. Controls on direct foreign investment were lifted, making possible the transfer of technology from the US to its more backward rivals. In many countries (but not Britain), industrial relations were improved through the rationalisation of unions and pay bargaining systems.

Seen through the lens of the Paye report, the fall from economic grace that began in the 1970s reflected a gradual shift away from reliance on market forces. Rapidly-expanding public sectors subsidised industries (and agriculture in particular—see below), and established generous social services. Incentives were reduced by heavy taxes and high benefit entitlements. Industrial militancy led to excessive pay awards and the compression of differentials. Companies and their workforces are increasingly circumscribed by a labyrinth of red-tape. Trade liberalisation faltered and non-tariff barriers multiplied.

Half the story

The Paye report is not fully convincing as an explanation of changing economic fortunes in the post-war period. The emphasis on the importance of liberalisation as a motor of growth in the "Golden Era" seems excessive. The expansion of international trade was certainly important but beyond that, very *little attention* was paid to free market nostrums. Exchange rates were fixed, the movement of international capital was tightly controlled, financial markets were heavily regulated, and many countries relied on controls on pay, prices and dividends. A good deal of emphasis was placed on co-operation as well as competition.

The moral from this is not that deregulation is a bad thing—in most circumstances it will raise efficiency—but that it is only half the economic story. Macroeconomic policy is just as important. It was ineffectual in the 1930s when the international monetary system disintegrated, and unless the macroeconomic climate is improved today, the potential benefits of liberalisation in the past few years are unlikely to be realised. Mr Paye is right to worry about structural factors, but Mr Baker is also justified in calling for less cautious demand management outside the US.

. . . while subsidies hurt farmers

ONE SECTOR in which the OECD has made an overwhelming case for structural reform is farming. The baroque edifice of subsidies in the major countries is a monument to political opportunism and economic myopia. It has also become partially self-defeating and, in important respects, morally repugnant. If it is not dismantled, there is a danger that it will crash under the weight of its own inconsistencies.

Its effect is to increase the incomes of farmers in the richest countries at the expense of the poor in Africa and elsewhere. Moreover, price support mechanisms, which account for 70 per cent of farm support in the developed world, give the largest subsidies to farmers with the largest output. These tend to be the richest and most efficient.

Price supports artificially raise the cost of living to consumers in the richer countries, and result in overproduction. Unnecessary stocks are stored at great expense for a while, and then unloaded on to what remains of the world market outside the barbed wire of tariffs and restrictions.

These surpluses depress the price available to Third World agricultural producers, while tariffs fences deprive them of the income needed either to develop their own agriculture or to buy the surpluses in store. Where the surpluses are distributed in the form of aid, they complete the vicious circle by further depressing domestic prices available to Third World farmers.

Powerful arguments

Efforts by some member countries to suppress parts of the report before its publication testify to its value as a mirror which many politicians would prefer not to look into. It also includes some blunt warnings that things cannot go on as they are, and so raises potentially embarrassing questions as to what ministers are going to do about them.

The OECD's report shows that farm support carries economic penalties which the 24 OECD countries can ill afford while unemployment remains high and a much colder wind is blowing across the prospects for sustained growth. Farm support, which provides 60 per cent of farmers' incomes in Japan and more than 40 per cent in the EC, now makes a sizeable contribution to budget deficits. Unnecessarily high prices force consumers to pay for surpluses that they do not want and cannot use, and pre-empt national resources which could be used to increase employment elsewhere.

Price support

Even if voters and consumers *were happy to keep subsidising* the farm sector for social or environmental reasons, the present tangle of support schemes is not the most effective method. This is because price support gives relatively little help to the smaller farmers who are generally regarded as helping the environment and most support to intensive farming which often contribute least to the rural scene.

However perhaps the most powerful argument for action is that present trends cannot be sustained without danger to the world's trading system and economic development generally. The improvements in farming techniques, such as those which enabled UK grain yields to double in the last 20 years, are becoming more generally used. Demand from the Soviet Union and the Arab oil producers will diminish. Saudi Arabia is now a net exporter of grain, and grows large quantities of tomatoes in the desert. The world market is already too small to take the over-production of industrial nations.

All the indications are that this will become worse not better, with ever stronger incentives for countries to conclude barter deals or more directly *undermine open markets in* game of competitive obstruction which no-one can win. Ultimately, as the OECD points out, the whole edifice could collapse burying a large number of farms under the rubble. It is therefore of the greatest importance that the world's financial and trade should stand back from their squabbles to survey the big picture, and then agree a steady gradual programme for dismantling the subsidies. This could start with a general 10 per cent in all subsidies which the OECD has shown would be feasible and not too hard for famers to bear.

The problem has been obvious for years. The OECD report makes it clear that solutions can no longer be postponed.

In from the cold

Mr Gorbachev has made new friends in the Middle East with suprising ease.

Andrew Gowers reports

IF WESTERN governments have not exactly been bursting with activity over the problems of the Middle East in recent months, it cannot have escaped their notice who has.

Quietly, with the US absorbed in the domestic repercussions of Irangate and its Nato allies wracked with confusion over arms control, the Soviet Union has been building new alliances in the Gulf and bidding for influence in the Arab-Israeli dispute.

More than at any time since it lost its key regional ally, Egypt, to America in 1973, Moscow under Mikhail Gorbachev is being seen as a *key* player in the region's conflicts. The significance is that this time its role is being hailed by many in the Middle East as a potentially constructive one.

The higher Soviet profile in the region *conforms* with Mr Gorbachev's more active and imaginative foreign policy in other areas.

"The Soviets have definitely been scoring points in the last few months. Gorbachev has seen an opportunity and he's exploiting it," says one Western diplomat dealing with the Middle East. Soviet moves since the beginning of the year have included:

- In January, Moscow sought to curry favour with the Organisation of Petroleum Exporting Countries by receiving Mr Hisham Nazer, the new Saudi Oil Minister—the highest-level Saudi visit to Moscow—and agreeing to make a token cut in crude oil exports in solidarity with Opec's price support efforts.
- In late March, the Soviet Union agreed to reschedule Egypt's estimated \$3bn (£1.8bn) military debt on generous terms as an earnest of improving relations between the two countries. The deal stands in marked contrast with the current deadlock over Cairo's much larger military debt to the US.
- A month ago, the Soviets were rewarded for their patient efforts to reconcile the squabbling factions of the Palestine Liberation Organisation. The process, completed during the Palestine National Council's meeting in Algiers last month, saw Mr Yassir Arafat, a friend of Moscow, emerge triumphant at the head of a reunited PLO.
- The Soviet Union has also been lobbying hard in recent weeks for its idea of an international conference on the Arab-Israeli dispute. There have been intensive contacts with Israel and suggestions that the pace of Jewish emigration from the Soviet Union might be allowed to quicken. The aim is to encourage the *resumption of diplomatic relations* between the two countries, broken off by Moscow 20 years ago, and to ensure Israeli acquiescence in a Soviet seat at the conference table.

The sort of conference which Moscow envisages—a full-scale, binding multilateral negotiation—is quite different from that currently under discussion between Israel and the US, which would serve merely as a prelude to direct negotiations between Israel and its neighbours. It is not clear whether the Soviets would be prepared to accept this more limited role.

- During meetings in Moscow at the end of April, Mr Gorbachev is also understood to have pleaded the cause of moderation with President Hafez al-Assad of Syria—now the principal Soviet ally in the region and a key participant in any international conference. In return for Mr Assad's agreement in principle to take part and not to obstruct Palestinian reconciliation, Moscow is believed to have offered substantial new economic and military aid, and to have rescheduled Syria's estimated \$15bn debt. Along with Saudi Arabia, the *Soviets have also been instrumental* in bringing Mr Assad together with his bitter foe, President Saddam Hussein of Iraq.
- Perhaps most important of all have been recent Soviet moves in the Gulf. Last month, following a series of Iranian attacks on ships going to and from Kuwait, Moscow agreed to charter three tankers to the Gulf state, with the implicit assurance of Soviet naval protection.

Both Kuwait and the Kremlin have been keen to play down the political significance of the deal, which they *describe as a* technical, commercial matter. But for a while it made the Americans — battling with bureaucracy to come up with their own arrangement for registering up to 11 Kuwaiti ships under the US flag—look extremely clumsy. It has also given the Russians a legitimate presence in the Gulf—something they have been seeking for years.

Soon after the agreement, Mr Vladimir Petrovsky, the Soviet Deputy Foreign Minister, visited Kuwait, the United Arab *Emirates and Oman, and offered* numerous ideas for guaranteeing the safety of Gulf shipping, including another international conference.

It was the highest-level Soviet visit to the UAE and Oman in memory and would have been inconceivable until recently. The two countries only established diplomatic relations with Moscow in 1985. The Soviet ambassador to the Emirates says Mr Petrovsky was received with "more than traditional politeness."

As ever, the big prize for Moscow is diplomatic relations *with Saudi Arabia. Many Western* observers now believe a Soviet mission in Riyadh is only a matter of time, though perhaps not while the fiercely anti-Communist King Fahd is on the Saudi throne.

It is natural that a more active Soviet foreign policy should focus on the Middle East. The Soviet Union has a 1,000-mile common border with Iran; it contains one of the world's largest Moslem communities, with about 50m people in Soviet Central Asia potentially susceptible to radical religious trends *elsewhere* in the Islamic world; and it shares with the countries of the region an overriding interest in oil, exports of which to the West account for some 60 per cent of Soviet hard currency earnings.

But even the Russians must be surprised at the ease with which they have been able to enhance their prestige in the past few months. This stems in part from perceptions in the region that the Reagan Administration's commitment to achieving a comprehensive settlement of the Arab-Israel dispute remains lukewarm, despite recent US diplomacy between Israel and Jordan.

The growth of anti-US sentiment has made Arab governments more aware than ever of the need to be seen to hedge their position between the super-powers.

Just as interesting is the apparent equanimity with which the West, and in particular the US, has greeted the Soviet diplomatic drive. American officials describe it as a restoration of the status quo and acknowledge freely that the Soviet Union has a legitimate role to play in the Middle East. They say the situation was unnatural in the 1970s when the Kremlin's only entrees to the region were through radical states like Libya, Syria and South Yemen.

There are several reasons for this. First, the focus of the superpower debate has lately been elsewhere—principally in Europe—and the US and the Soviet Union clearly do not want unpredictable flare-ups in the Middle East to prejudice the evolution of their broader political relations. Second, there is a recognition that the Soviets are going out of their way to avoid being portrayed as *spoilers of efforts to resolve the* region's problems. Third there is the fact that Washington and Moscow have found themselves on the same side in the Iran-Iraq war.

The Soviet Union is Iraq's biggest ally and has supplied the regime of President Saddam Hussein with billions of dollars worth of sophisticated weapons. In recent weeks, Moscow has been showing an even more obvious tilt towards Baghdad, while the US has made it clear that it will continue to provide the Iraqis with intelligence information.

This curious alignment reflects a broader perception which the superpowers have come to share about the Middle East, stemming from the 1979 Iranian revolution. This is that a loss by one side does not necessarily translate into a gain by the other. When the Shah fell, the US lost its most important regional ally. But Tehran's Islamic rulers direct their rhetoric against the Soviet Union almost as much as against the "Great Satan" in Washington.

Arab states have themselves been forced in recent years to put on a greater show of being genuinely non-aligned. That means neither superpower is harbouring any illusions about the extent to which it can turn events in the regi^n to its cwn long-term advantaie.

Additional reporting by Angela Dixon in Dubai.

Accountabilities

By Patricia Day and Rudolf Klein

Tavistock Publications; £25

THURSDAY BOOK REVIEW

ONE SIMPLE law could transform modern society. I urge you to vote for anyone who undertakes to promote it. The law would run, in its entirety:

A name and address must be attached to everything that is done.

Just imagine! Solicitors could no longer send out threatening letters signed by a clerk's meaningless squiggle. Building Societies could no longer write to customers and sign the society's name. The prevaricator who failed to make the appointment to mend your washing machine would be unmasked; the lout who came to do it would not be an unfindable "service engineer" but a real person with a name and address. Health Service patients would not be attended by "nurse" or "doctor" or some *equally* patronising generic abstraction, but by an individual whom they could later thank or sue.

Best of all, thousands of civil servants would have the black veil of the department's name torn away from them; there would be nothing behind which to hide. Contemporary life would suddenly become possible.

J. S. Mill understood this: "as a general rule," he wrote, "every executive function, whether superior or subordinate, should be the appointed duty of some given individual. It should be apparent to all the world who did everything, and through whose default anything was left undone." And then comes the clincher:

"*Responsibility is null when nobody knows who is responsible.*"

This is perhaps the most striking quotation in a thorough little book which sets out to explore the degree to which public servants in Britain can be held accountable for their actions. The evidence challenges not only ministers and civil servants, but doctors, nurses, local education committees and many others. Although the behaviour of companies in the private sector is not analysed, there is no reason why the doctrine of proper accountability should not be applied to them—unless you really believe the market alone is enough.

But what is accountability? It is one of those vogue words that can get in the way of straight thinking, which is why Patricia Day and Rudolf Klein have taken such immense trouble to distil the literature and get their definitions right (so much trouble, in fact, that this volume should have a steady sale as set reading in courses on government, politics, administration and, with luck, business).

We are told about the Athenians, who demanded that officials account for themselves 10 time a year before their assembly of citizens: an unsuccessful general might be sentenced to death. We are reminded of common fiscal accountability, which of course everyone understands, and accountability for efficiency (that is, doing what has been agreed, as economically as possible), as well as accountability for effectiveness, which is making sure that the intended result has been achieved.

Armed with such definitions the authors have studied accountability in the National Health Service, the police, the water authorities, and local education and social services committees. They interpret interviews of 114 members of these different authorities, with the net effect that it is not too much to say that a central conundrum of democracy in the modern service state is how to operate it efficiently, and effectively.

The non-elected authorities in charge of the NHS may be responsible, in the end, to an elected minister, but they cannot tell doctors or nurses what to do. Before the Thatcher era of performance indicators, and management by objectives, members of such authorities judged their effectiveness by how much they could spend, not by *how much they achieved.* Police authorities are bamboozled by the mystery of policework; teachers will not let education authority members near their classrooms. Only the water authorities, who can measure what gurgles down their pipes, seem to feel properly accountable, and in *charge.*

The familiar whine — that calls for value for money are in reality miserly attempts to cut costs and reduce services—persists, to the detriment of the Government's efforts to introduce *managerial* accountability into its services. At the local level this conflicts with *political* accountability. This is notionally to the voters but all too often to a party (Labour) or, because of the power of a trade union or professional organisation, to nobody at all. Just being elected is not enough; there must also be control.

It is both the strength and the weakness of this book that it does not provide a full-scale prescription. A chapter entitled How to Introduce Accountability Everywhere would be relatively easy to digest; the trouble appears to be that the modern state is so complicated that solutions have to be tailor-made for each different circumstance.

The authors hope for a "new dialogue" designed to repair the linkages between different forms of accountability—managerial, political, technical, and so on — and they hanker towards small-scale local services, in which the Athenian face-to-face method could be revived. But they are analysts, not polemicists.

Joe Rogaly

Men and Matters

Our man for Pretoria

It seems entirely appropriate that our new man in Pretoria is an expert on sanctions. *Robin* Renwick, who takes over from Sir Patrick Moberly in July, was a leading member of the Foreign Office group which drew up the strategy that led to Rhodesia's transition to the independent state of Zimbabwe.

Renwick, 49, who was head of Rhodesia department at the FCO, acted as political adviser to Lord Soames, Rhodesia's last governor, and together with Sir Antony Duff, now Mrs Thatcher's head of security services, helped dissuade Ian Smith's army commander from mounting a pre-independence election coup.

The 49-year-old Renwick, whose Foreign Office pedigree includes Dakar, Delhi, Paris, Washington and his present job as assistant under secretary of state, European Community, drew on his Rhodesia experience to write a book on sanctions while on sabbatical at Harvard in 1980.

His conclusions are sceptical. "To abandon altogether the idea of recourse to sanctions in response to acts of aggression or other flagrant violations of international law or human rights would be to reduce the the choice of response to one between military action and acquiescence—an unattractive choice at the best of times . . .", he writes.

He goes on: "they may have some deterrent effect, though they are not likely to do so if the regime believes its survival in any event to be at stake. Once applied they may, if sufficiently effective, weaken the target regime; but they will not necessarily change its behaviour . . . . exaggerated expectations should not be entertained as to the likely economic effects, or the time scale on which these may be felt; still less as to the probable political results." Doubtless Mrs Thatcher concurs.

Renwick, married to a Frenchwoman, is as much a European a san African buff, and is a committed supporter of the European Community. He was a prominent member of Mrs Thatcher's negotiating tea mwhich finally extracted a substantial budget rebate for Britain under the Fontainebleau agreement of 1984.

Teasers

David Steel was in bouncy form yesterday at what he described as his last engagement *before* the election campaign — a speech at Chatham House on "Britain as a European power."

Before launching into his prepared speech (which contained, according to a Foreign Office official present, "nothing that Sir Geoffrey would disagree with"), he said he hoped the campaign would be good-humoured and that politicians would not forget the "weapon of the tease."

He then proceeded to offer examples of the latter. On Denis Healey's Moscow gaffe: "It must be the first time in history that the Labour party has written its own Zinoviev Letter. Either that or Denis is so unused to finding support anywhere that it turned his head."

On the Tory defence white paper: "I found my own name in the index and those of all the Conservative cabinet. The only name you won't find in there anywhere is Michael Heseltine's. He's been written right out of history in the best Soviet style."

"That joke you told Denis Healey hasn't travelled too well"

Self service

The best brains in the BBC have long pondered on the problem of how to tell the millions of licence payers about its activities. The annual report and handbook—price £8, print *run 11,000—reached only* a fraction of its audience; and the press has been a bit unfriendly in recent years. The answer, the BBC has now decided, is . . . a television programme.

The programme will be broadcast on BBC1 as the BBC's annual report to its "shareholders"—the viewers. A formal report will still be submitted to Parliament, however.

The BBC hierarchy is so taken with the idea of communicating directly through the magic of television that the programme may even occupy some 1½-2 hours of prime time some evening in January.

BBC director general Michael Checkland, who will appear in the marathon programme with his chairman, Marmaduke Hussey, said yesterday it would reflect the highs and lows of the broadcasting year.

"We also need to explain how our income of nearly £1,000m a year is spent," Checkland added.

The acid test of whether the BBC can make an honest programme about itself will surely be how it explains the abrupt departure of former director general, Alasdair Milne "for personal reasons" during the year.

The programme should at *least give some temporary* respite to the ITV schedulers who have been taking a fearful battering fro mthe BBC in the ratings for the past few months.

Rintoul's return

Peter Rintoul appears to have wooed and won Leda Investment Trust with intentions more honourable than those of the swan.

If Leda shareholders aprove restructuring proposals announced yesterday, he will have succeeede in reviving Graham Rintoul as a fund management *business 14 years after the* original family firm disappeared into Gartmore Investment.

Rintoul has been planning his comeback since 1985, when he resigned from the Gartmore board, where he had been in charge of investment trusts, in the wake of a wider clash over management styles.

The original Grahams Rintoul Hay Bell, known as "Hell's bell" on its Glasgow turf, had moved into investment management from its accountancy antecedants two generations ago. Rintoul, aged, 41, rpeated the pattern in his own career.

When Gartmore took over the old firm, Rintoul salvaged the brass plate from its London office (at the cost of irrepairable damage to a pair of trousers). It lies now in the hall of his home, awaiting its return to the City. ,

Now you see it . . .

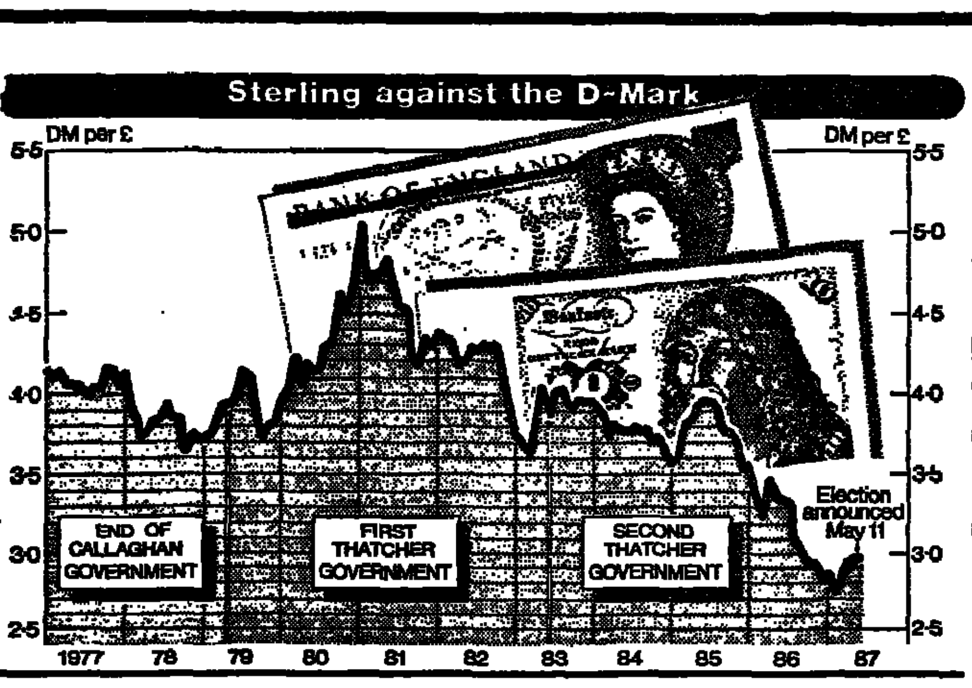
Rebutting a Labour charge that the Government had "fiddled" the unemployment figures on 18 separate occasions, Ian Lang, Scottish Under Secretary, told the Commons yesterday "There have been only six discernible changes."

Observer

Economic Viewpoint

Sterling matters more than money

By Samuel Brittan



THE PROBLEMS of strong international demand for sterling are problems which most governments would prefer to have rather than those arising from currency weakness and a crisis of confidence. But they remain problems none the less.

Faced with rising demand for sterling, there are three policy responses open to the Treasury and Bank of England:

1 They can allow sterling to rise.
2 They can intervene in the foreign exchange markets and accumulate reserves.
3 They can cut interest rates until the demand for sterling falls off.

We have, of course, been here before. *This was during* the sharp rise in sterling in the late 1970s. This started in 1977, when confidence recovered after the Labour Government's accord with the International Monetary Fund. The upswing went into a second phase during 1979-80, when the second oil price explosion coincided with the advent of the Thatcher Government and the coming on stream of North Sea oil.

The Labour Chancellor, Denis Healey, at first resisted the rise in sterling, on the advice of the Treasury, with a mixture of options two and three—lower interest rates and intervention. As a result official foreign exchange reserves rose by $17bn in less than a year and the Minimum Lending Rate fell by 10 percentage points to as low as 5 per cent.

Eventually in the autumn of 1977 Mr Healey switched from Treasury to Bank advice and decided to uncap sterling. This was mainly because intervention to hold down the pound led to a rapid acceleration in the money supply for which targets had just been established.

Governments can try to sterilise the monetary effects of intervention by selling securities. But in practice this proves very difficult, although the reasons are in some dispute. Selling gilts tends to depress their prices and raise their yields compared with what they otherwise would be, thus making sterling assets all the more attractive to overseas holders. Several international studies have suggested that intervention has to be partially unsterilised if it is to hold the currency at the desired level.

Whether for these reasons or for more proasic market management ones, gilt-edged analysts believe that debt sales fell short of government borrowing in April. Sterling M3 is already 19 per cent up on a year ago and the increase could be higher still when the April figures are announced next week.

The Government's policy on this occasion is as in the early Healey period a mixture of options two and three: that is interest rate cuts and the accumulation of foreign exchange reserves. Actual intervention in the foreign exchange market has been much larger than the published rise of $2.87bn in the reserves in March and April.

The two alternatives to the present course would be to let sterling soar as in the late 1970s, ie following option one, alone, or to reduce short-term interest rates to whatever extent necessary to choke off overseas demand for sterling, ie following option three alone.

Leaving sterling to go through the roof would be pretty counter-productive, considering that the achievement of a real growth rate above that *of other countries is mainly due* to last year's successful sterling devaluation. A soaring pound might help to achieve near-zero inflation, but at a great price in recession.

The Thatcher Government did of course follow option one and let sterling soar in its first two *years of office; and nearly all* the serious argument about its degree of responsibility for the unemployment explosion goes back to those years—reminding one of the way that historians still argue about the effects of Churchill's return to gold at the pre-First World War parity in 1926.

There is little doubt that the combination of the over-valued pound and the pay explosion following the *collapse of* Labour's pay policies did precipitate the rise in unemployment, the blitz on overmanning, the productivity turnround and the subsequent fall in inflation. In other words the roots of most of what is both good and bad in the Government's economic record go back to these two early, controversial years.

Apart from changing economic fashions' there is one crucial difference between 1979-80 and the present. In 1980 inflation rose to nearly 20 per cent and there were strong arguments for giving priority to puncturing inflationary expectations so that policy could be free to concentrate on other matters. The policy adopted then is not one which one would with hindsight recommend, but there was a case to be made for it at the time.

With underlying inflation now at 4-4½ per cent, the argument for risking a downturn and contributing to world recessionary pressures to reduce inflation further is very much weaker; and the argument for preserving a stable pound in the foreign exchange markets accordingly stronger.

The rise in sterling in the late 1970s was mostly against the dollar. But a much better *guide at present is the move*ment of sterling against the D-Mark.

Those analysts who say that the 1986 improvement in competitiveness has already been eroded are either thinking in terms of the dollar, or they have forgotten that towards the end of last year sterling fell to the bottom end of its unannounced range against the D-Mark and the atmosphere of crisis that the fall engendered; indeed the 1 per cent increase in base rates in October to stabilise sterling was widely denounced as inadequate by many City voices who declared it should have been 2 per cent.

All that has happened *up to now* is that the earlier and *potentially inflationary* weakness of sterling has been reversed. But the critics are right to say that if sterling goes much above DM 3 it will have burst right through the Chancellor's range, and competitiveness would be endangered.

Given that there are limits to sensible intervention, should the Treasury go further with option three and reduce base rates to whatever proves necessary to keep sterling within its intended range?

My short answer is "Yes," subject to certain conditions. Base rates should probably not go down by more than about ½ per cent to say 8½ per cent, until *this unnecessary election is out* of the way. For it will be difficult to reverse any cuts, should the markets be affected by a bad April trade figure or should the opinion polls wobble more than expected. But what the Chancellor should do is to explain on television that interest *rates—like share quotations—* are prices, which like all prices, can move in either direction. And this principle should govern the actions of any government that takes office on June 12.

But the more likely event for the time being is of sterling being subject to more upward pressure and interest rates being controversially low rather than high. It would be surprising—although not impossible—if short-term interest rates went as low as 5 per cent, considering that world real interest rates are now substantially positive, whereas they were negative a decade ago. Nevertheless they might have to go at least temporarily to well below 8 per cent.

The bullish forces for sterling are, of course, no longer oil nor even the Thatcher factor. They are much more a *realisation that* sterling assets are still a good bargain internationally. There is no longer such an obvious need for a risk premium on sterling assets, Yet UK short-term real interest rates are still about 2 percentage points above the international average. Long-term rates are also slightly higher. Price earnings ratios in the *London Stock Exchange* are said to be comparatively low; and real estate in London and the south east is all too obviously attractive to international purchasers.

Although intervention tends tc boost the money supply, so too, if a little more slowly, do cuts in short-term interest rates. The latter would probably also boost the Treasury's favourite monetary indicator, MO.

But, as Gavyn Davies of Goldman Sachs remarks, the sterling link with the D-Mark "is the ultimate inflation backstop." Any easing of monetary policy "which does not threaten the exchange rate target does not, by implication, threaten the in*flation target either*."

Anticipating the money supply critics, Mr Davies remarks: "It is ludicrous to demand that *the Chancellor should follow an* exchange rate target with one breath, and then with the next complain that monetary policy is being 'eased' in order to keep his target intact. Provided the exchange rate target is kept intact, then any easing in domestic monetary policy is unlikely to have undesirable connotations for inflation."

It was in fact never very sensible to have unqualified *monetary targets for a highly* open economy, unless they were subjected to an exchange rate override. So long as sterling remains very firm against non-inflationary currencies such as the D-Mark and is expected to remain so, a lid will be put on all costs and prices subject to international competition.

Even so, it would be wise to find ways of offsetting an otherwise unwanted monetary stimulus; and the obvious way to do so is by tightening, not monetary, but fiscal policy beyond that implicit in the Chancellor's target borrowing requirement of 1 per cent of gross national product, or 2 per cent without *privatisation. The most painless* way of doing so would of course occur if tax receipts rise faster than expected and are used to reduce the public sector borrowing requirement. But if this is not enough, the next government will have to consider either a cash squeeze on public spending or postponing the tax cuts pencilled in for next year.

The main demand management case for a fiscal tightening would be pre-emptive; to offset the further interest rate cuts which are likely to occur. A fiscal tightening would also *make sense in structural terms.* For it would lead to an improved current balance of payments; or to put it in a more illuminating way: the UK would be accumulating further overseas assets to offset the liabilities arising from overseas investment in this country.

No purely macro policies can however deal with the one sector of the economy that does already show signs of advanced overheating: the housing and property market, especially in the south-east. This, as John Muellbauer has pointed out, is the most likely source of an *acceleration of pay increases* which would terminate the upturn. A sensible government would seek specific policies to dampen down soaring housing and land values instead of imposing a blanket slowdown on the whole economy.

Lombard

Strangled with a green belt

By Anthony Harris

MR NICHOLAS RIDLEY has managed to go out with a thud. Almost his last official act as Environment Secretary before the dissolution was to reject a plan to turn Hurn airport at Bournemouth into a high-tech industrial park. This is perhaps the only occasion on which an airport has been protected on environmental grounds.

Here Mr Ridley, protector of the green belt, appears in his possibly truer guise as protector of the vested interest; it was, perhaps, the threat of an *out-of-town shopping centre which* aroused local opposition, more than the threat to the peace of a third-rank airfield. The belt itself remains the inviolable *frontier of the Thatcher* revolution; and it could prove the constriction which finally strangles it.

The idea of a green belt was born in the garden-city-minded days of the 1940s. Its purpose was stated to be mainly to preserve access to the country*side for dwellers in big cities*, but in this respect it has been a very limited success; much of the belt is heavily enclosed, and is simply something you have to drive across to get to the real country on the far side.

Its more important objective was to force development into new centres, and to prevent Ribbon Development, to adopt the horrified capital letters of pre-war aesthetes. It was supported by the creaky apparatus of *Industrial* Development Certificates, which forced successful businesses to become uncompetitive by spreading their activities to remote and inconvenient places. IDCs vanished long ago; but the belt, and the misuse of environmental protection to protect individual *access to the countryside*, persists.

What amounts to a Prevention of Development Act should have no place in a free economy. It is an offence to the unemployed, who cannot move to where the work is; and it places Britain, already rather unfavourably sited in the European market, at a further disadvantage to countries such as France, which are willing to stimulate and guide development rather than to throttle it.

What is more, it is not even good planning. A green belt looks good on a map, just as high-rise development looks good on a table-top model. On the ground, on the other hand, the US style of ribbon development, with houses strung along secondary roads, allows whole generations of children to grow up with genuine access to open country, which runs right up to their back fence.

Even in cities, it is not a belt outside the city which helps most citizens, but stretches of valley and parkland reaching near the centre. I was lucky enough to spend the first decade of my adult life in Cambridge, and then in Oxford. In both those cities (admittedly small ones) you can start a country *walk within five minutes from* almost any point.

Finally, the idea is hopelessly out of date. It was conceived before there were motorways, when the railways were *still* the main carriers of freight, and indeed when factories were smoky and industrial products bulky and massive. In the modern world a motorway is the natural spine along which activity develops, as every estate agent knows. To frustrate this pattern is exactly the wrong way to cling to Victorian values.

If Mr Ridley, or his successor, wants to show a bit of French flair, and some concern for the recreation of ordinary town dwellers, he should set to work on a new Town and *Country Planning Act, based* on an up-to-date notion of environmental values and environmental threats.

He should spend a day or two north of Newcastle, the one, flawed attempt to develop a really modern linear city in Britain; and he should make *funds available to* complete the Lee Valley linear park, which will bring something like country right to the fringes of the Dockland boom area, and plan to clear further such green fingers.

I for one will be combing the party manifestoes for any sign of thinking along these lines, but with little or any hope. As Mancur Olsen has observed, a decadent state is one in which vested interests have acquired blocking rights. The Mottled Green party has yet to emerge.

Letters to the Editor

A random trust

From Professor N. Simmonds.

Sir, — Barry Riley in his interesting article on unit trusts (May 9) refers to the seven-fold increase of capital in 10 years by the average unit trust. He also remarks that the all-share index rose *eight-fold* in the same decade but said that that was "another story."

Is it? It sounds as though investors would have done better, on average, by buying a random equity share sample, thus avoiding both the expense and apparent incompetence of unit trust management. *Is* there (or has there been) a "random trust" big enough accurately to sample the equity market? If so, how did it do? If not, why not?

Allowing for sampling effects ("errors"), has any trust demonstrably done better than average?

(Professor) Norman Simmonds,
9 McLaren Road,
Edinburgh.

UK risks from Chernobyl

From Mr D. Webster

Sir,—Dr Clark of the National Radiological Protection Board (May 9) may have misled those readers who have not studied the NRPB Chernobyl report for themselves. He comments that restrictions placed on foodstuffs elsewhere in Europe "inevitably" appear to have been more effective than action in the UK in reducing radiation doses to the most exposed groups, because deposition of radioactivity was higher. *This is* not the case.

In Holland, for example, the NRPB estimates that the highest thyroid doses would have been almost the same as those in the UK (in fact slightly lower) if neither country had taken any countermeasures. In the event the Dutch cut their maximum doses by half, while those in Britain were reduced by only 8 per cent. This was *purely because the* Dutch authorities took more vigorous action.

Dr Clark sees fit to pour scorn on my insistence on looking at the highest doses received by some children, rather than at the general UK average. In doing so he departs from the principles of the International Commission on Radiological Protection, which makes it clear that in an accident the primary requirement is to limit doses to the most exposed individuals, and that doses should always be kept as low as reasonably *achievable.* Does the NRPB consider that the action taken in Holland was unreasonable?

It would seem particularly difficult to argue that more should not have been done here, because of the extreme simplicity of some of the available measures. For instance, as Dr Clark shows even to have advised the parents of children living on farms in the high deposition areas that they should drink milk only from pooled supplies would have cut some children's doses substantially, and cost nothing. Yet they, along with everybody else, were told only that there was "no health risk."

David Webster.
38, Crompton Avenue,
Cathcart, Glasgow.

Lobbying in the EC

From Alison Runchman and Janice Makarian

Sir,—Your article on lobbying the EC (May 8) gave only a partial picture.

The Community is not only of interest to big business, and the role of the EC lobbyist extends far beyond helping big companies influence proposed EC legislation.

The Community also offers a range of assistance in the form of funds, loans, contracts and business opportunities to companies (especially small ones), universities, research establishments, local government bodies and interest groups—and it is in this area that many EC consultants provide valuable information and advice.

By acting as an interface between the Community institu*tions and the world at large,* the EC consultant fulfils a need which many EC officials are only too willing to admit they cannot meet—publicising and promoting the opportunities offered by an expanding European Community.

Alison Runchman and
Janice Markarian,
60 Avenue de Cortenberg,
1040 Brussels.

Small change required

From Marie Bonnaud

Sir, — Those men and women who were not resident in UK when the national health scheme came into being in July 1948 and who, when they eventually became UK residents within, say, five years after that date, received on retirement (as do all other latecomers) only a proportion of the standard basic rate of pension—all increases being treated in like proportion. What started out as a deficit, on average, of approximately £1 5s per week has now increased to a deficit of over £10 per week.

Mrs Thatcher was approached some time ago and asked to consider the case of those on reduced pensions who are now 75 years of age and who are finding it increasingly difficult to meet their financial commitments *in the light of the* present economic climate, by allowing such individuals a larger proportion of the standard basic rate.

The only reaction to such an appeal has been to point this small category of pensioners to the Supplementary Benefit *door.* But there are a number who *for obvious reasons* do not qualify for this benefit but who are nevertheless very hard-up

Marie Bonnaud.
2, Southlands,
40, Queens Rd,
Weybridge, Surrey.

Young firms and unemployment

From Dr D. Storey and Mr S. Johnson

Sir,—Nicholas Stacey (May 8) appears not to have read beyond the headline of your report "Small companies not the answer to unemployment" (April 30). If he had done so, he may have noted that our report suggests that small firms *are making an increasing* contribution to job creation and have an important role to play in the economy. Nowhere is it suggested that large firms represent the solution to the unemployment problem.

The key lesson which we have learned from a combined total *of 12 years' research into small* firms, during which we have interview well over 1,000 small companies in the UK and examined all the available statistics and studies in the UK, US and Europe, is that the employment performance of both large and small firms is so diverse that generalisations are dangerously misleading. The responsibility for the creation (and destruction) of the vast *majority of jobs in the economy* lies with a tiny minority of firms, both small and large. Any government which wishes to influence the rate of job creation in the small firm sector should concentrate its attentions upon identifying and assisting those few just growing firms, rather than trying to maximise the number of new firms, a large proportion of whom, as Mr Stacey rightly points out, will *fail* within a very short time.

The so-called "emerging enterprise culture" which is so highly praised by Mr Stacey is in reality the product of the recent world recession and the lack of competitiveness of UK industry overseas which resulted *in the level of unemployment* rising by almost 2m between 1979 and 1983. Study after study has shown that only a small proportion of new firm founders start their firms with intention of making large profits. In contrast as many as 50 per cent set up in business due to unemployment *or fear of* redundancy. The trend of new firm formation and self employment between 1979 and 1986 follows almost exactly the trend in unemployment over *those* same years.

We have considerable sympathy for the plight of the small *business owner, particularly* in today's harsh economic climate. Most however, simply want to be left in peace to make a modest living.

(Dr) David Storey,
Steven Johnson.
Centre for Urban and
Regional Studies,
The University,
Newcastle upon Tyne.

Dangers in travel

From Dr A. Landy.

Sir,—I read (May 9) with interest the article by David Sawers ("Happier landings") and noted the associated statistics, particularly the claim that "the risk of being killed . . . on a British airline is . . . less than half that of being killed when travelling on British Rail." When, as here, the measurement *of safety* is the ratio of deaths per passenger-mile, the statement is undoubtedly true, but it presents us with the problem that it is counter-intuitive; most people would class flying as a dangerous way to travel, certainly much more so than going by train.

A much more appropriate measurement of safety would be the ratio *of* deaths per passenger-journey. By far the most dangerous periods in a flight are those of take-off and landing—both of which occur just once per flight, no matter how long it is. I would suggest that the popular assessment of transport risk depends on the perceived chance of completing a journey *without mishap.* We feel safer in cars, because we almost always arrive safely. Accidents involving cars and trains are rarely fatal, whereas an aeroplane crash usually kills all the passengers.

If risk were calculated as deaths per passenger-journey, flight would be seen as the dangerous form of public transport that it is.

(Dr) Aron Landy.
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FINANCIAL TIMES
Thursday May 14 1987

Soviets put Chirac on the defensive

David Housego reports on divisions within the French Government over the issue of disarmament


Mr Jacques Chirac: hostile to short-range accord


Mr François Mitterrand: no form of disarmament excluded

THE SOVIETS have had few chances, so far, to exploit the divisions within the French Administration that have resulted from "cohabitation." But the insistent Soviet attacks on Mr Jacques Chirac's Government in recent weeks, coming on the eve of his visit to Moscow today, are a sign that they can drive a wedge into the Administration over the sensitive issue of disarmament.

President François Mitterand and the conservative Government of Mr Chirac are sharply divided on how to respond to Mr Mikhail Gorbachev's "double zero option" for removing longer-range (LRINF) and shorter-range nuclear forces (SRINF) in Europe.

Mr Chirac and his ministers now accept that an LRINF accord will go ahead, notwithstanding their initial worries. But they remain deeply hostile to an agreement on shorter-range weapons (between 500 and 1000km).

They fear that an SRINF accord which removes all shorter-range missiles would generate pressure for a roll-back of the other remaining tactical nuclear weapons in Europe – thus threatening the French land-based Pluton and Hades tactical systems, further weakening the US commitment to the defence of Europe and advancing the Soviet goal of a nuclear-free Europe.

President Mitterrand's view is closer to that of Mr Hans-Dietrich Genscher, the West German Foreign Minister, and that of the US. He believes that European public opinion would not understand European governments blocking disarmament proposals in which the Soviets, on the face of it, were conceding more than the West.

He thinks that in military and Alliance terms the "double-zero option" would not be damaging to the West – leaving the balance at roughly what it was in the mid-1970s.

After forcing the Government to modify its position on Mr Gorbachev's proposals for longer-range weapons (Pershing II land-based cruise and Soviet SS20s and SS4s) in March, Mr Mitterrand on Monday hinted publicly in a speech in West Berlin that he was not averse to an agreement on shorter-range weapons, as well.

The full magnitude of these divisions could be camouflaged if Mr Helmut Kohl, the West German Chancellor, succeeds in defining a West German position that becomes a rallying point for other governments in Europe.

Mr Chirac's hope is that this will be achieved on the basis of proposals for an equal but above zero SRINF agreement that would include maintaining West Germany's 72 Pershing 1 A missiles – together with a provision for their modernisation.

But it is precisely to prevent a European position crystallising around such a proposal that the Russians have been keeping up the pressure against Mr Chirac as "the head of an offensive against disarmament in Europe." He could thus find himself walking on a bed of hot coals during his three-day visit to Moscow which begins today.

Behind the controversy over the European response to Mr Gorbachev's proposals there are the bones of a far more fundamental shift in French defence policy.

The first is that French nervousness over "denuclearisation" and "decoupling" is pushing France to explore new avenues of nuclear co-operation with Britain as the only other European nuclear power.

The second is that the perceived prospect of US troop withdrawals from Europe in the wake of a nuclear weapons accord has opened up the possibility of French troops replacing them in the front line – thus dramatically changing France's relationship with the integrated military command of the North Atlantic Treaty Organisation.

The differences in approach to arms negotiations between President Mitterrand and Mr Chirac's Government first emerged in March when the Govenment, in an official statement, warned that a "zero option" agreement could leave the Soviets with superiority in other forces.

Mr André Giraud, the Defence Minister, condemned it as "another Munich" and took the view that if the Soviets were genuinely concerned with disarmament – as opposed to the "denuclearisation" of Europe – they would have concentrated on more costly intercontinental systems.

At this point President Mitterrand said France had been prepared to accept a "zero-option" agreement in 1983 – "no Pershings, no cruise, no SS20s" – and that it was illogical to refuse it now. Both camps now accept that an LRINF will go through – and both favour negotiating for the removal of the 100 SS20s that could still be stationed in Asia and 100 medium-range missiles which should remain in the US.

The Government's doubts over a "double-zero" option became open hostility with Mr Gorbachev's proposals that shorter-range weapons should be included as well. They fear that if all weapons in the 500km-1000 km range are withdrawn, it will not be possible to prevent concessions on weapons below the 500km level.

They argue that in such a situation West German ecological and conservative opinion would turn against battlefield nuclear weapons. They also fear that it would become increasingly difficult to justify before public opinion the Hades and Pluton land-based tactical systems which are conceived as France's pre-strategic force.

Hence the Government's anxiety that Chancellor Kohl should stick to the SRINF compromise he announced to the Bundestag last week. But the French recognise that by holding on to the Pershing 1As the West Germans might create a wedge by which the Russians could call into question the British and French systems, that the Russians might not accept that the P1As be modernised and that West German public opinion might not accept their redeployment.

The Elysée's position is that it is better to abandon shorter-range weapons at the outset rather than defend positions that could be untenable before the Soviets and in the eyes of public opinion. The Elysée also believes that flexiblility on SRINF will make it easier to resist pressure to drop below the 500km level. Thus its approach at some points parallels that of Britain.

The Communists, in a dramatic change of policy, have swung behind Mr Gorbachev's proposals from their traditional support of nuclear deterrence. At the same time it is becoming increasingly difficult for a French Socialist leader – even Mr Mitterrand – to reject disarmament proposals without running into opposition from his own party.

In the longer term for both President Mitterrand and Mr Chirac – each of whom have a hand in the making of foreign and defence policy – the road since the October 1986 Rejkavik summit points to a more fundamental rethink of defence policy in the light of a diminishing US commitment to Europe.

The first taboo to be eroded is French reluctance to discuss its independent nuclear deterrent. Mr Giraud is now exploring co-operation with Britain over joint production of air-to-surface missiles that could be fitted to Tornados in the mid-1990s, joint submarine patrols and the protection of nuclear bases.

The other issue slowly being faced is that of possible US troop withdrawals from Europe. Mr Francois Heisbourg, formerly an adviser to Mr Charles Hernu, the Socialist Minister of Defence recently appointed as the new head of the London-based International Institute of Strategic Studies, argues in an influential recent article that French troops would have to fill the breach.

THE LEX COLUMN

Insurers declare Peninsular war

To say that Sir Jeffrey Sterling is annoyed with the Association of British Insurers is rather like saying that there are differences of opinion between Mrs Thatcher and Mr Kinnock.

One can undertand Sir Jeffrey's perturbation. He decides that the equity into which P&O's first Eurobond is convertible will not exceed 2.5 per cent of issued stock. Although P&O's AGM this month gives it powers to issue up to 5 per cent of authorised capital to non-shareholders, the company is clearly concerned to do nothing to antagonise the ABI, so keeps to the letter of the new ruling.

But the ABI immediately makes a statement criticising P&O, arguing that the bond's achievement of reaching a premium of about 3 per cent, is a measure of the extent to which value has been taken from shareholders. Sir J. Sterling hits roof. In cold logic, the ABI has a point. But the premium in the trading price of the bond is merely a reflection of the fact that the P&O ordinary shares gained a similar amount yesterday, after the price of the bond was struck.

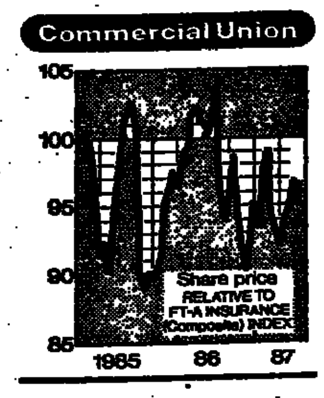
It is true that a number of British companies, dazed by gentlemen with a plausible manner and a way with numbers, have issued convertible Eurobonds at prices which have provided instant premiums large enough to fund the bonuses of a lifetime for lead managers.

Yet the P&O bond is emphatically not of this class. The coupon of 4¾ per cent is no more than the prospective yield on the shares. The convertible exercise price, at around 20 per cent higher than the going rate in the stock market, is about twice as demanding of some of the offerings which have caused European bond investors to swoon with pleasure.

The ABI's general stand in favour of the pre-emptive right of shareholders has much to commend it. But to bridle at offerings which are both tightly priced, and (almost) within the new stricter guidelines, is to cross the boundary dividing justifiable concern from arrogance.

BP/Standard

BP probably has the investors' penchant for warrants to thank for its success in attaining 90 per cent of the outstanding ordinary stock of Standard Oil. With the surge in BP's share price since the second offer was devised, the warrant has attained a grey market value of about $2.50 per Standard share.



Had the level of acceptances been only fractionally less, then BP would have required about three months of legal rigmarole to force merger. And, low oil prices or not, three months of Standard Oil cash-flow is not a negligible reward for ingenuity.

Commercial Union

Commercial Union may feel that the stock market has been somewhat grudging in the treatment of its shares given the strenuous efforts made to change course in the past couple of years. But, following 15 years of fairly continuos underperformance against the composite sector, and with the after-effects of previous management errors still being felt, the shares have lately done well to keep in reasonably close touch with the average.

The question now is whether the new CU can begin to catch up again. First-quarter profits, which more than doubled to £28.2m, may look middle-of-the-road in the light of today's results from Royal and General Accident.

CU's deliberate by-passing of the higher-risk US business may prove brilliant when others are still getting claims many years hence from business written now, but it is slowing CU's own return to profits.

The UK picture is far more encouraging, combining rate increases with increased volume. And, though the cold snap cost £5m more than last year's bad weather, an imaginative management might see the burst water pipes as a marketing opportunity.

European expansion appears well motivated. CU's management must do even more – on all fronts – to earn the market's confidence. Meanwhile, if dividend growth does not match the rest of the sector, CU's yield is higher to start with.

Land Securities

The property effects of Big Bang are dropping like manna into the balance sheet of Land Securities, which has shrugged off five years of underperformance and set a cracking pace in the property sector.

The 16 per cent growth in asset value per share was higher than expected and, following the recent re-rating, was enough to leave the discount at a barely perceptible 4 per cent (or 15 per cent premium net of tax).

The price must now include much of future growth, and with assets possibly touching 580p in the current year, the discount will soon return to less remarkable levels.

But, unlike the investment-led property boom of the early 1970's the current customer-led boom is providing high-quality earnings for those with suitable portfolios. Land Securities has not simply been in the right place at the right time; the timing of its re-gearing still looks good and development money is now equivalent to nearly one-third of shareholders' funds.

The company has raised £600m since November 1985 (using the innovative techniques now such a feature of the sector) and has spent only about £350m, mainly on retail warehousing, (surely a growth sector) and the overdue redevelopment of London leases.

The dividend is up a healthy 12.2 per cent and the cover is even a slight improvement on last year. Any Japanese bid interest will have to wait until oversupply of City office space becomes a worry – and a more historical discount re-appears – in 18 months.

Monetary controls

The battery of policy instruments available to the Bank of England is limited, particularly at a juncture when it wants to stop interest rates from falling and the pound from rising. To such sophisticated mechanisms as over-funding and purchases of foreign exchange, the Governor's Mais Lecture, entitled "Instruments of Monetary Policy," yesterday added the humble light switch. Presumably it offsets the effect of the green baize curtain that has been used to cover over Minimum Lending Rate.

Kaunda reshuffles Cabinet

By Victor Mallet in Lusaka

DR KENNETH KAUNDA, the Zambian President, yesterday changed his Finance Minister for the third time in just over a year and sacked senior staff at the Central Bank who he indicated were involved in a major scandal.

Dr Kaunda's latest Cabinet reshuffle follows his landmark decision to break with the International Monetary Fund (IMF) and return to tighter state control of the economy when many other African countries are moving in the opposite direction.

Mr Gibson Chigaga, a lawyer who was Attorney General and has no experience of finance, becomes Finance Minister in place of Mr Kebby Musokotwane, who will retain his other job as Prime Minister.

Home Affairs Minister Mr Cosmas Chibanda was dismissed. "He is unable to perform his functions," the President told journalists

Dr Kaunda also dismissed the Deputy Governor of the Bank of Zambia, Mr. K.M. Lamaswala, and the general manager, Mr Michael Mwape, a relative of Dr Kaunda by marriage. He said they and 11 other senior members of staff would be investigated by the director of public prosecutions on the basis of a report prepared by the Auditor General.

Dr Leonard Chivuno, nicknamed "Red Len" by bankers because of his Moscow training, remains as Governor of the Central Bank.

Dr Kaunda yesterday softened his criticism of the IMF, saying only that the IMF was trying to move too fast in implementing the austerity programme for Zambia.

Zambia is likely to face a severe shortage of foreign currency because of the revaluing of the local currency and the scrapping of the weekly foreign currency auction, which was used as a conduit for balance of payments support from Western donors.

US may reconsider opposition to greater World Bank lending

BY NANCY DUNNE IN WASHINGTON

THE REAGAN Administration may push for an expansion of World Bank lending because of the refusal of the Inter-American Development Bank (IDB) to agree to changes it wants.

A Treasury spokesman confirmed yesterday that the US might now back a long-discussed increase in its capital to channel more development funds to Latin America.

The Administration had planned to boost lending to Latin America through the IDB, but first it sought "reforms" in the voting structure which would give the US the power to veto loans if another country voted with it.

So far, the Latin American borrowing countries have refused to agree to changes. There is a "slim" chance, according to a Treasury official, that agreement may still be reached at a meeting of the IDB Government board tentatively scheduled for next month.

Mr James Baker, Treasury Secretary, had called for a greatly expanded IDB lending programme, including "appropriate policy conditionality and high priority quality loans." Having failed to get an agreement, however, the Administration will not support a $25bn replenishment of lending resources which the IDB has been seeking.

In fact, a Treasury official said the Bank's lending over the next four years would actually decrease to between $10bn and $11bn and go only to small projects.

The US has been reluctant to agree to an increase of World Bank capital until it gets Congress to pay the $201m in arrears it owes to the Bank's concessional lending arm, the International Development Association.

The House has rejected an Administration request to pay the arrears, and the Senate has yet to act. The US is $784m in arrears on funding to development institutions, a reflection of budget constraints and the unpopularity of foreign aid in Congress.

A World Bank capital increase could conceivably cost no more than a promise to guarantee funds if needed, or callable capital.

UK restricts North Sea permits

BY MAURICE SAMUELSON IN LONDON

THE BRITISH Government has awarded oil and gas production permits for only 51 of the 127 North Sea areas offered under its 10th offshore licensing round.

Nearly all the new licensed blocks, covering about 12,500 square kilometers, are in mature areas of the North Sea. Several of the new areas are adjacent to existing oil or gas developments, such as the Rob Roy/Ivanhoe field, operated by Amerada Hess; Maureen, operated by Philips; Texaco's Claymore Field; and the Amethyst gas-field in the southern North Sea.

This reflects the industry's reluctance to take undue investment risks during a period of low oil prices. The industry has shown particular interest in the central and southern North Sea areas which are rich in gas.

Mr Alick Buchanan-Smith, Oil Minister, said last night that the round had gone "extremely well given the circumstances of the industry." The ratio of licences to areas on offer was in line with that of previous rounds.

The round also had fully met the Government's target, confounding those in the City of London who had questioned the need for a new licensing round at this time, he said.

The Government is also pleased with the level of the work programmes tabled by the oil companies, reflected in the average number of wells drilled per block and the innovative nature of their proposed work programmes.

Most of the major oil companies have won operatorships. However, the newly privatised British Gas, which is a member of one successful consortium, has not been named as an operator despite its large oil reserves.

Announcing the awards in a House of Commons written answer, Mr Buchanan-Smith said they ensured continuity in exploration work and would provide the potential for development of the UK's oil and gas discoveries in the 1990s to replace existing fields as they became exhausted.

The Government announced in February that 75 applications had been received from 84 companies, including all the main oil companies, for the 127 blocks on offer. The proportion of blocks applied for was lower than in the ninth round but higher than the eighth.

There is no relaxation in the conditions used in previous rounds, despite speculation that they would be made less onerous to encourage applications.

British Petroleum is the operating company in five areas while Shell, Amoco and Amerada Hess are each named as operators in four areas.

Among smaller British licensees are Ultramar, Taylor Woodrow Energy, Hamilton Brothers and Britoil. Continental Europe represented by the Italian company Agip, with two operatorships, and Belgium's Fina with one.

UK bond auction succeeds

By Janet Bush in London

THE Bank of England's first experimental auction of UK government bonds yesterday appeared to have passed off relatively smoothly.

From the Government's point of view, the issue of stock was a success in that the sale of £1bn 8 per cent gilts maturing in 1992 was covered or subscribed for 2.3 times.

In other respects, the sale had some of the hallmarks of the experiment it had always been billed as by the Bank of England.

Primary dealers reported a high level of ignorance about the new system among clients, and the spread of different bids accepted by the Bank suggests that there was some lack of expertise among some market makers and institutions.

The newness of the system, coupled with a nervous market background of an election campaign and the fact that the stock in itself was not regarded as particularly attractive, ensured that demand from both domestic and foreign institutions at the auction itself was modest.

There factors, coupled with the sale today of a further £1bn of stock via the traditional tender system, also appeared to have ensured a cautious approach to the auction by all but the bravest of market makers.

In the event, the Bank said that the lowest accepted bid was £98.25 and the highest £98.75. Non-competitive bids were allotted at £98.30.

The fact that the average price and the minimum accepted price were so close together suggested that the vast majority of competitive bids were made near to the minimum price which was in line with "when issued" price levels at yesterday's deadline for bids at 10am.

UK interest rate policy, Page 8

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	16	61	Dubrovnik	C	17	63	Malta	S	21	70	Rhodes	C	18	64
Algiers	S	26	79	Edinburgh	R	10	50	Manchester	F	11	52	Rio de J'o	-	—	—
Amsterdam	F	9	48	Faro	F	21	70	Manila	-	—	—	Rome	F	20	68
Athens	S	20	68	Florence	F	20	68	Melbourne	T	17	63	Salzburg	R	7	45
Bahrain	S	34	93	Frankfurt	F	11	52	Mexico City	-	—	—	San Francisco	F	14	57
Bangkok	-	—	—	Funchal	F	20	68	Miami	S	25	77	Seoul	C	19	66
Barcelona	F	17	63	Geneva	R	8	46	Milan	F	13	55	Singapore	T	27	81
Beirut	-	—	—	Gibraltar	S	22	72	Montreal	S	9	48	Stockholm	C	9	48
Belfast	F	10	50	Glasgow	F	10	50	Moscow	C	17	63	Strasbourg	F	11	52
Belgrade	S	24	75	Guernsey	S	10	50	Munich	R	7	45	Sydney	S	24	75
Berlin	C	11	52	Helsinki	R	8	46	Nairobi	T	25	77	Taipei	-	—	—
Biarritz	C	15	59	H. Kong	S	30	86	Naples	F	20	68	Tangier	F	20	68
Bombay	S	33	91	Innsbruck	R	5	41	Nassau	-	—	—	Tel Aviv	S	24	75
Bordeaux	F	14	57	Inverness	C	9	48	New Delhi	F	27	81	Tenerife	F	24	75
Brussels	F	9	48	Islamabad	-	—	—	New York	S	13	55	Tokyo	C	23	73
Budapest	C	15	59	Istanbul	S	20	68	Nice	S	21	70	Toronto	S	9	48
B. Aires	-	—	—	Jakarta	-	—	—	Nicosia	-	—	—	Tunis	F	14	57
Cairo	S	29	84	Jersey	C	12	54	Oporto	F	17	63	Valencia	S	21	70
Cape Town	R	16	61	Jo'burg	S	25	77	Oslo	R	5	41	Venice	R	19	66
Caracas	-	—	—	Lima	-	—	—	Paris	F	9	48	Vienna	R	11	52
Casablanca	F	20	68	Lisbon	F	20	68	Peking	S	21	70	Warsaw	R	16	61
Chicago	S	9	48	London	F	12	54	Prague	C	11	52	Washington	C	16	61
Cologne	C	9	48	Los Angeles	Fg	16	61	Reykjavik	C	5	41	Zurich	C	9	48
Copenhagen	R	8	46	Luxembourg	T	7	45								
Corfu	F	19	66	Madrid	F	21	70								
Dallas	S	17	63	Majorca	S	26	79								
Dublin	C	12	54	Malaga	S	27	81								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

OECD to cut farm aid

Continued from Page 1

changes related to more immediate trade disputes.

Mr Clark strongly attacked Japan for failing to take speedier action to open up its markets while Mr Willy de Clerq, the European Trade Commissioner, renewed criticism of the bilateral deal on semiconductors between Japan and the US.

On the broader macroeconomic front, the ministers reaffirmed their pledge to co-operate in tackling international trade imbalances and in promoting stability on foreign exchange markets – essentially through action in Japan and West Germany to stimulate growth and by further moves in the US to cut the budget deficit.

There were no detailed new commitments from any of the three, but Mr Baker said West Germany's indication that it would review its medium-term policy if growth faltered marked a welcome new departure.

Mr Martin Bangemann, the West German Economics Minister, said that a judgment on whether such additional action might be needed could be made as early as next month – a timing which would coincide with the world economic summit in Venice.

Mr Baker said that in private conversations with Japanese ministers he had also more details of the Government's planned $35bn package of expansionary measures.

Japan urges restraints

Continued from Page 1

general of the Finance Ministry's international finance bureau.

Janet Bush writes: The dollar was helped yesterday by expectations that March US trade figures published today would show a narrowing of the deficit and by hopes of further declines in West German interest rates. The Japanese Finance Ministry's efforts to limit dollar speculation by domestic institution attracted little notice.

The US currency ended marginally firmer in Europe at Y139.70 compared with Y139.50 at Tuesday's close. Meanwhile, sterling's trade-weighted index closed firmer at 73.5 compared with Tuesday's closing 73.2 on revived election optimism.

INTERNATIONAL APPOINTMENTS

Top Spanish banker and de Benedetti in talks

BY TOM BURNS IN MADRID

THE FORMER Bank of Spain Governor, Mr Jose Ramon Alvarez Rendueles is likely to become Mr Carlo de Benedetti's man in Madrid when the Italian tycoon launches a promised holding company in Spain in the near future.

Mr Alvarez Rendueles, 46, was appointed last year chairman of Banco Zaragozano, an Aragon-based bank which is currently negotiating its role as the major domestic partner in a Spanish-style version of Mr Benedetti's Cerus Holdings of France with Mr de Benedetti's Cie. Industriali Riuniti, of Italy.

A spokesman for Mr Rendueles said yesterday in Madrid that negotiations would be concluded by next month. Talks between Banco Zaragozano and Mr de Benedtti's Cir were at present centred on the entry of a second Spanish partner into the projected holding and of the possible addition of a fourth major shareholder which, if it is approved, would be a non-Spanish group.

The second Spanish partner under discussion is understood to be the fast growing construction and real estate company, Construcciones y Contratas which is owned by the Alcocer family and has Mr Ramon Areces, the proprietor of the Cortes Ingles department store chain, as its chairman. Construcciones y Contratas owns 30 per cent of Banco Zaragozano.

Mr Jose Ramon Alvarez Rendueles, former Governor of the Bank of Spain: in line to be Mr Carlo de Benedetti's *man in Madrid*

Mr Alvarez Rendueles was the youngest-ever Governor of the Bank of Spain, the country's central bank, a post he held from 1978 to 1984, serving both Centrist and Socialist governments. On leaving the Bank of Spain he assumed the chairmanship of Productos Pirelli, the Spanish subsidiary of the Italian tyre group, and the vice-chairmanship of Hispano Olivetti, an appointment which brought him into close professional contact with Mr de Benedetti.

The Italian tycoon, who was in Spain last week, has said in Press interviews that he plans a Spanish holding company, modelled on his Cerus venture in France, which will have an initial capital of $50m. Mr de Benedetti's Cir group is expected to hold 40 per cent of the future Spanish holding.

Citibank in new departure

By Rami G. Khouri in Amman

Jordan has its first woman general bank manager, following the announcement that the Jordan branch of Citibank, the New York money centre bank, has appointed a Jordanian woman, Miss Ghada Debbas, its Jordan Corporate bank head, as general manager in charge of Citibank operations in Jordan, Syria and Iraq, effective June 7.

With her appointment, to take the place of Mr Zubeir Soomro, who is to take up a post with Citibank in Saudi Arabia, Citibank's Jordan-Syria-Iraq operation will be managed by an all-Jordanian team.

Elders in finance move in New York

ELDERS IXL, the Australian-based diversified industrial and financial concern, has announced that Mr Gene Donney is to be president and chief executive of Elders Futures Inc., its New York-based futures and options operation. Mr Donney, 34, assumes responsibility for brokerage, clearing, sales and exchange activities in New York, Chicago and Geneva.

Elders acquired Rudolf Wolff Futures Inc., of the US, last year, and renamed it Elders Futures. The concern operates in such fields as energy, financial futures, precious metals, currency and managed products areas.

Reshuffle near top of American Brands

AMERICAN BRANDS, the US concern with substantial interests in tobacco, has announced that Mr Virginius Lougee III, 66, is to retire as company president on December 31, and, has resigned as chief operating officer. Mr William Alley, vice chairman, has taken over the additional post of chief operating officer.

UBS gives boost to younger generation

BY JOHN WICKS IN ZURICH

THE ELECTION of Mr Robert Studer as future chief executive officer of Union Bank of Switzerland, means that the "younger generation" is to take over the reins of the biggest Swiss bank.

Mr Studer, who is 49, is to succeed Dr Nikolaus Senn next year as president of the UBS executive board. Dr Senn, now 60, will be nominated the bank's chairman at the 1988 annual meeting.

Mr Robert Studer: at 49 moving towards the top of Union Bank of Switzerland

Dr Senn, in his turn, will replace the 65-year-old Dr Robert Holzach, who has just announced his decision to retire next year after having headed the board since 1980.

Mr Studer has long been one of the brightest stars among Switzerland's younger bankers. He joined UBS after an apprenticeship in 1967, and acted in his thirties as a representative of the bank in Beirut and New York before returning to Zurich.

He was made general manager at the age of only 42, and has since been in charge of the UBS finance division, which covers such things as securities operations, and foreign and domestic capital markets operations.

* * *

TEXAS EASTERN, the interstate supplier of natural gas to the east coast of the US has announced the promotion of two officers to senior vice president. Mr Paul M. Anderson has been elected senior vice president of strategic planning and petroleum services, and Mr J. Michal Conway senior vice president and chief financial officer of the corporation.

In addition, Mr James B. Hipple and Mr James R. O'Hare have been elected vice presidents of the company. Mr Hipple is Texas Eastern's corporate controller and Mr O'Hare is corporate treasurer.

Accountancy Appointments

Financial Manager

Central London to £40,000 + Car

We are acting for a publicly quoted group engaged in a service industry. Rapid growth has resulted in a reorganisation at the centre and created a need to appoint a Financial Manager who will report to the Group Finance Director. The role is extremely flexible covering a wide variety of non routine work but also embraces the responsibility for managing the production of monthly accounts, budgets, currency management, stock exchange information and acquisition work.
We are seeking a highly motivated Chartered Accountant under 35 who has broad technical ability and a proven record as an achiever. The capacity to act quickly and decisively to meet strict deadlines is crucial. Prospects of progression within the group are excellent. Terms embody a salary of £35/40,000 plus fully expensed car, profit share, pension and medical cover.
Applications in strict confidence to R. J. Welsh.

Reginald Welsh & Partners Ltd
ACCOUNTANCY & EXECUTIVE RECRUITMENT CONSULTANTS
123/4 Newgate Street, London, EC1A 7AA. Tel: 01 600 8387

ESTD 1742
WHITBREAD

SENIOR FINANCE OPPORTUNITIES

London and South East based
Salary negotiable up to 35k + car and benefits

Whitbread, a 46,000 employee, £1.5 billion turnover business, is now strongly positioned in three principal activities – brewing and wholesaling, retailing and leisure, and wines and spirits. The company is profitable and well structured in both organisational and financial terms and divided into divisions/companies. Although most of its revenue is earned in the UK, there are substantial and growing operations in North America and Europe.
Traditionally, Whitbread has been consistently successful in developing its own talent. In the financial function, recent internal moves both centrally and in the operating businesses, leave the company with some gaps in its succession plans for key financial roles in the company. This has led the Group Controller to seek two or three talented and ambitious young, chartered accountants to fill some challenging roles either in the Centre or the Divisions.
The type of individual we seek should have several years post qualification commercial experience and may already be close to board (or equivalent) level but seeking the wider scope that a business of Whitbread's scale and pedigree can offer. Specific experience in the fmcg, retail and leisure sectors would obviously be useful as would overseas and acquisitions exposure.
Salaries on offer are highly flexible in the £25,000 to £35,000 range and other benefits are very attractive. For an initial discussion, please send a full cv including current salary details, quoting reference W/3468, to Mike Smith.

KPMG Peat Marwick McLintock
Executive Selection and Search
9 Creed Lane, London EC4V 5BR

ENTREPRENEURIAL FINANCE DIRECTOR

KENT

c £25,000 + car + bonus + relocation package + equity participation

Lydd Airport has recently been acquired by a new operating company supported by substantial backing from a leading City based Venture Capital organisation. Plans are in place to develop and expand the site with a view to it becoming a major airport complex offering a variety of auxiliary airline services, in addition to Aircraft Chartering and Sales activities.

There is an immediate requirement for a Finance Director to join a small executive team in a high profile role. Working closely with the Managing Director this role will have significant impact across several areas including mainstream finance, computer selection and installation, tax, treasury and strategic planning. Due to the highly responsible nature of this position the successful applicant will be expected to become heavily involved in third party negotiations and feasibility studies instrumental in determining the group's future development.

Applicants should possess a recognised accountancy qualification together with a background in an industry connected with aviation. The likely age range is 30-35.

For further information please telephone Neil Gillespie on 01-930 7850, or alternatively write, enclosing brief details, to the address below:

ROBERT • WALTERS • ASSOCIATES
RECRUITMENT CONSULTANTS
66-68 Haymarket London SW1Y 4RF Telephone: 01-930 7850

Young ACA

Age c.25 c.£20,000 + car

A unique opportunity to become the first Assistant Financial Controller in a rapidly expanding PLC has arisen. The firm is already a leader in the provision of high quality financial services. Head Office is in the West End.

Reporting to the Financial Controller, the new man or woman is to be responsible for financial and administrative support, with emphasis on producing prompt management information and special investigation reports. Future plans include Head Office computerisation, and expansion by acquisition.

Ideally, this challenge will suit a young newly qualified chartered accountant from a medium sized practice who is now ready to join a dynamic expanding company. Experience should preferably include consolidations and tax with some DP knowledge. The ability to communicate on financial matters accurately and clearly is essential.

Salary is negotiable around £20,000. A car will be provided. Prospects depend upon performance and future profitable growth.

Please send full career details to R. N. Orr, stating if in confidence, quoting reference M3301, or telephone for a form.

Roland Orr & Partners
Management Consultants
12 New Burlington Street London W1X 1FF Telephone 01-439 6891

Financial Director designate

c £25,000 pa plus car
Leeds

Our client is Andrew Page Limited, for more than forty years a well-known family owned Company with a thriving Yorkshire business distributing high quality automobile parts and components.

Their plans for further profitable expansion have created a vacancy for an experienced Financial Manager with the potential to be appointed Financial Director by the end of 1987.

The successful candidate will be responsible for managing the accounting and information systems of the Company and its branches and will be expected to contribute skill and enthusiasm to corporate business strategy.

Candidates must be well-educated, professionally qualified and able to demonstrate technical and managerial competence in handling computerised systems in a competitive and customer conscious environment.

Applicants living within commuting distance of Leeds should write quoting reference 1494 with a daytime telephone number and a current CV including present salary to:

BinderHamlyn
MANAGEMENT CONSULTANTS
Trevor Austin, Executive Selection Division
Binder Hamlyn Management Consultants
8 St Bride Street, London EC4A 4DA

COMMERCIAL DIRECTOR

Fashion £25K

Qualified accountant, having spent time in commerce and wishing to put his managerial talents/disciplines to work in this well established Co. supplying young fashion to multiple retailers in UK, Europe & USA.
A strong computer-wise manager capable of taking decisions and seeing them through, not only of course in accounts and management info, but in monitoring and taking responsibility for the operational side of a business, heavily dependant upon its computer system.
The opportunity to take hands-on control under the guidance of a willing MD has potential rarely offered within a private company.
CV to: Managing Director
EXPERIENCE CLOTHING CO LTD
76/78 Mortimer Street, London W1N 7DE

Accounting Manager

International Music Business

RECORDS ATLANTIC
Warner Elektra Atlantic

Central London To £30,000 + Car

WEA International Services Ltd provides financial and administrative services to WEA International Inc. (a U.S. based company) and its twenty-four affiliated subsidiary companies and numerous licensees. The affiliates and licensees conduct their business in virtually every major country in the world excluding the U.S.

The environment is characterised by the high natural pace of the music industry, the international nature of the activity and a highly developed data processing system utilising the best of modern systems and communications technology.

This post is primarily responsible for royalty, sales and accounting reporting, responsible to the Vice-President Controller. Through departmental managers you would be responsible for a total staff of up to fifteen. The role would involve some travel both to the U.S. and elsewhere in the world.

We would like to talk to qualified accountants in their thirties who could bring to the role both proven technical capability in a sophisticated finance function, well developed leadership skills and a mature business appreciation. You need not necessarily have previous experience in a U.S. multi-national nor in a fast moving consumer business. On the other hand you do need to be an individual of high calibre who can be effective in an environment, such as this, where the achievement of agreed goals is paramount.

My client offers a highly competitive range of employment conditions.

Applicants of either sex should apply in confidence to *Michael Johnson* on (0962) 53319 (24-hour service) or write to Johnson Wilson & Partners Ltd., Clarendon House, Hyde Street, Winchester, Hampshire SO23 7DX quoting ref. 755.

Johnson Wilson & Partners
Management Recruitment Consultants

THAMES TELEVISION
OPERATIONAL AUDITOR

London based c. £22,000 + car

Thames Television, the largest programme contractor to the Independent Broadcasting Authority, invites applications for this important new function from computer literate Chartered Accountants with internal audit experience.

In addition to operating the IBA's London weekday franchise, Thames distributes programmes world-wide and is increasingly concerned with new developments in satellite and cable television.

Reporting to the Managing Director, you will be responsible for reviewing the effectiveness of the Company's systems and of their related internal controls in financial and operational areas, and for making recommendations for improvements. The ability to communicate ideas effectively and imaginatively is particularly important.

Please write or telephone for an application form to:

Caroline Odell, Personnel Officer, Thames Television PLC, Broom Road, Teddington, Middx. TW11 9NT.
Telephone: 01-977 3252 ext. 2605

Thames is an equal opportunities employer and we welcome all applications regardless of sex, ethnic origin and marital status.

THAMES TELEVISION

The British Printing & Communication Corporation plc

AUDIT AND BUSINESS REVIEW

The British Printing and Communication Corporation plc, one of the leading companies in the UK with expanding global interests, is establishing positions based in London and Oxford to monitor and advise on performance, systems, financial control and operational efficiency. Applications are invited for the following positions:

GROUP HEAD OF AUDIT c£30,000 + Car

The ideal candidate will be a qualified accountant aged around 35 with major professional firm and post-qualification operational audit experience. He or she should possess the strong leadership qualities required to establish an effective and respected professional team and have the ability to take a commercial approach to a variety of assignments.

SENIOR AUDITORS To £25,000 + Car

Candidates aged up to 30 will have trained in modern auditing techniques either within the profession or industry and will possess an analytical and enquiring mind.

All candidates should have the technical skills and presence necessary to operate at senior management level and the ambition to pursue a growing career path. They should be prepared to undertake travel within the UK.

Please reply in confidence with full curriculum vitae, including details of current remuneration and a contact telephone number to **D.E. Shribman.**

HUDSON SHRIBMAN
THE COMPLETE FINANCIAL SELECTION SERVICE
Vernon House, Sicilian Avenue, London WC1A 2QH. Tel: 01-831 2323.

Accounting in the City

Financial Manager to £25,000 + bank benefits + bonus

A progressive North European bank seeks a young ACA, aged 25-28, with proven financial sector auditing skills, to undertake advisory work and corporate accounting. This is a high profile role with excellent prospects. Ref: PW0409

Financial Control Manager c£30,000 + car + bank benefits

This is a key role within a highly profitable European investment bank, coordinating worldwide accounting information and advising on information technology requirements. Ideally you will be an ACA, aged 28-33, with international banking experience. Ref: SW0434

Project Manager to £35,000 + bank benefits

A leading North American bank making a significant impact in the international markets, seeks a qualified accountant, aged 30-35, with strong analytical skills to play an active role in developing systems for banking products. Ref: RS0435

Corporate Financiers to £25,000 + bank benefits

A household name financial sector company, committed to expanding their range of services following deregulation, has outstanding opportunities for qualified accountants (ACA/ACCA/ACMA), from financial service backgrounds, aged 24-28, to undertake new product and acquisition projects. Ref: PW0427

Write or telephone: 01-256 5041 (out of hours 01-851 2502)

Management Personnel
Recruitment Selection & Search
10 Finsbury Square, LONDON EC2A 1AD.

Audit and Special Projects

International Banking

c.£25,000 + Car & Banking Benefits

This is a high profile corporate role in a major international banking and financial services group. The purpose is to plan, organise and complete projects which are out of the ordinary, of high priority in corporate terms and sometimes involve high sensitivity. There will be a particular focus on controls and information systems, the quality of management information and profits. Small *ad hoc teams will have to be assembled and led.*

Applicants should be graduate accountants with 5 years post qualification experience of large scale audit or investigative work or with relevant experience in a major industrial or commercial group. Sound interpersonal skills, the resilience to see a project through and the ability to present well are important requirements. The experience should provide a sound base for further advancement. Location – The City.

Please apply in confidence quoting ref. L300 to:

Brian H Mason
Mason & Nurse Associates
1 Lancaster Place, Strand
London WC2E 7EB
Tel: 01-240 7805

Mason & Nurse
Selection & Search

Finance Director

Surrey

to £40,000 + bonus + car

This client, a significant division of a highly respected plc., is an exciting, fast moving and dramatically expanding communications group of companies. With a current t/o of £22m the division is a major contributor to the groups exceptional profit record. Further growth is anticipated through new product development and an aggressive acquisition policy.

The role of Financial Director will involve working closely with the Managing Director in directing, planning, and effecting the future strategy and expansion of the organisation in addition to controlling the financial affairs of the business.

Candidates will be qualified accountants, aged 35-42, having achieved board level management skills preferably within an f.m.c.g. environment. Evidence of major contributions made so far are imperative as is the ability to display strategic thinking within a highly commercial environment.

Please write enclosing full resume quoting ref: 132 to:–
Philip Cartwright FCMA,
97 Jermyn Street,
London SW1Y 6JE.
Tel: 01-839 4572

Cartwright Hopkins
FINANCIAL SECTION AND SEARCH

IR INSTRUMENT RENTALS

FINANCIAL CONTROLLER DIRECTOR DESIGNATE

SLOUGH AREA c. £25K + BENEFITS + CAR

Instrument Rentals (UK) Limited is a subsidiary of US Leasing Inc. and is involved in the short and long-term *rental/leasing of electronic equipment.* We require a Financial Controller to assume responsibility for all aspects of the company's financial direction.
The successful candidate will be a qualified accountant with a number of years in a service industry environment and aged between 25 and 40. Knowledge of leasing and lease accounting would be useful but experience with US GAAP is an essential.
Reporting to the Director and General Manager it is envisaged that the position will lead to a board appointment.

In the first instance please send curriculum vitae to:

Mrs Karen Young
INSTRUMENT RENTALS (UK) LTD.
Dorcan House, Meadfield Road
Langley, Slough, Berkshire SL3 8AL
Tel: 0753 44878

MANAGEMENT CONSULTANTS

FINANCE SERVICE INDUSTRY

£25-30,000 + CAR

We are retained by the Banking and Financial Services group of a major Management Consultancy practice whose rapid business growth has resulted in the need to recruit outstanding candidates as Consultants.

In this challenging role you will advise an impressive international client list on a broad range of activities, including risk management, foreign exchange, MIS operating procedures and control activities.

Candidates, aged around 30 years, should currently be working in a banking, broking or other financial institution environment. You should have strong experience in the audit, operational or accounting areas and in addition you maybe professionally qualified. Strong presentational skills and excellent analytical "problem solving" abilities are essential, as are numeracy and computer literacy from a user standpoint. Candidates with previous consulting experience, either internally or externally will be given priority.

Interested candidates should contact Sarah Beaumont on (01) 629 8070, or send a *detailed curriculum vitae quoting Ref L203 to* her at Slade Consulting Group (UK) Limited, Metro House, 58 St James's Street, London SW1A 1LD. All applications will be treated in the strictest confidence.

London · Melbourne · Sydney · Brisbane · Adelaide · Perth · Auckland · Christchurch

SLADE CONSULTING GROUP (UK)

Investment and Financial Controller

City Salary c£50K + Car + Equity Participation

Our client is a well founded technologically based Group backed by a leading City Institution, which has been established to develop and commercially exploit a range of advanced technology products and processes for selected UK and Overseas markets.

The Company now wish to appoint an Investment and Financial Controller to enhance and monitor existing financial and management reporting, and to participate in the acquisition and development of further companies and products.

Reporting to the Chief Executive, this appointment represents an outstanding opportunity for an innovative, entrepreneurial businessman who will be a Chartered Accountant aged between 35 and 45. In addition to executive duties the appointed candidate would be expected to be available to serve on the Boards of certain subsidiary companies.

Experience in a corporate development role either in industry or the City coupled with a familiarity with the techniques of investment appraisal is essential. Some working knowledge of the handling of Government related projects is desirable.

Interested candidates should send a detailed CV including current salary to Don Day FCA quoting reference LM879 at Spicer and Pegler Associates, Executive Selection, Friary Court, 65 Crutched Friars, London EC3N 2NP.

Spicer and Pegler Associates
Executive Selection

FINANCIAL CONTROLLER

NORTH WEST C£20,000 + PROFIT BONUS + CAR

Our client is a substantial manufacturing business that has undertaken major capital investment to increase production and profitability. Backed by a public group, the subsidiary now needs a high-calibre Accountant with the technical ability, strength of personality and commercialism to help the business grow rapidly with the support of strong financial controls.

Reporting to the M.D. and part of the executive team you will be given an excellent opportunity to prove your worth very quickly. Initially, you will be expected to assess current systems, reporting procedures and staff – before implementing improvements where necessary. The result of this review will be to provide a meaningful management reporting package that interprets performance in depth. Additionally, your manufacturing experience will enable you to develop the present costing and computer systems.

Apart from these priority assignments, your medium-term objective will be to bring increased professionalism and effectiveness to accounts administration, budgeting, cash management and the financial input to tactical and strategic commercial decision-making.

Good communication skills, a strong but flexible personal style and natural drive will be essential to succeed in this fast-moving and demanding environment.

This is an ideal No. 1 position for a Qualified Accountant, possibly a graduate, aged 28-35 who can already demonstrate a successful track record within a manufacturing environment.

Prospects and conditions of employment are excellent.

Please contact Lawrence Barnett or Dudley Harrop in our Manchester office quoting ref. M671.

Trident House,
31-33 Dale Street,
Liverpool L2 2HF
Tel: 051-236 9373

ASB
ASB RECRUITMENT LTD.

Eagle Buildings,
64 Cross Street,
Manchester M2 4JQ
Tel: 061-834 0618

Planning Accountant

Central London c.£18,500 + Car

Lloyds Bowmaker is the financial services subsidiary of the Lloyds Bank Group, employing over 3,500 people and providing a comprehensive range of credit and leasing services to commerce, industry and the individual customer.

The Group head office is based in Central London and we are looking for a Planning Accountant to join a small professional team within the Corporate Planning Department.

You will provide a comprehensive financial service to the Department and contribute to its growth and success. You will be responsible for the financial analysis of strategic plans and profit forecasts, the development of "what if" models, as well as cost analysis and ad hoc projects.

You will be aged 25+ and be fully qualified ACCA or ICMA. Experience of financial modelling on main-frame or P.C. essential. Experience of the financial services sector advantageous. A logical analytical approach and good communication skills are essential, as is the ability to work under pressure whilst producing high quality, accurate information.

The benefits package is excellent and includes mortgage subsidy and private medical cover. Promotion prospects are excellent.

Please telephone for an application form or send in full C.V., including salary details, to: Teresa Bailey, Personnel Officer, Lloyds Bowmaker Limited, Finance House, 9/13 Grosvenor Street, London W1X 9FB. Tel: 01-491 3236, ext. 286.

Lloyds Bowmaker

Financial Controller

To £30,000
+ non-contributory pension
Central London

Our client is The Wellcome Trust, internationally known for its funding of research into human and veterinary medicine and the history of medicine.

It intends to support its scientific objectives with up-to-the-minute business and financial administration that reflects its responsibility for safeguarding substantial assets and investments.

This calls for the appointment of a professionally qualified Financial Controller to monitor investment performance and to manage the finance and accounting function.

The job requires significant experience in both areas as well as a mature, sensitive and assured approach in keeping with the style of this prestigious organisation.

Applicants from the London commuting area should write quoting reference 1493 with a daytime telephone number and a current CV including present salary to:

BinderHamlyn
MANAGEMENT CONSULTANTS

Trevor Austin, Executive Selection Division
Binder Hamlyn Management Consultants
8 St Bride Street, London EC4A 4DA

Management Accountant

Retail Group

c£20,000+car

Our client is a major UK publicly quoted group with substantial interests in the retail sector. A dominant force in its market-place the group has an impressive record of sustained growth and is forecasting continuing expansion in both turnover and profitability.

Based West of London, the Accountant will join a high profile management group responsible for the development, *interpretation and presentation of essential* business information. Managing a small department, he or she will review and analyse management accounts, prepare short term forecasts, develop support systems and carry out a range of ad hoc projects. The growth of the group should lead to rapidly increased responsibility and provide considerable promotion opportunities.

Aged 26-30, applicants should be qualified accountants with proven commercial experience ideally gained in an f.m.c.g. environment.

Please write, enclosing a career/salary history and daytime telephone number, to David Hogg FCA quoting reference H/595/GF.

Lloyd Management

125 High Holborn London WC1V 6QA Selection Consultants 01-405 3499

COMPANY INVESTMENT ANALYST

British Aerospace PLC has recently moved their Headquarters to prestigious new offices in The Strand.

It is in this professional environment that we are recruiting an Investment Analyst within the Finance Department to assume key responsibilities in the critical review and evaluation of investment proposals, including multi-million pound projects.

Working in a closely-knit team of four, your main objective will be to ensure that the Company's major investment decisions are financially viable, based on sound business assumptions.

A qualified accountant, in your late 20's or early 30's, you should be a fluid communicator with a minimum of 3 years' relevant experience, with exposure to senior management in a large international organisation. Your experience will include knowledge of similar business operations, investment appraisal techniques and an up-to-date knowledge of financial practices.

In return, the position offers excellent long-term career opportunities, along with a competitive salary and the kind of benefits package you'd expect from one of the country's leading companies.

To find out more telephone or write to Alexander Sneddon, Senior Personnel Officer, British Aerospace PLC, Corporate Headquarters, *Brooklands Road, Weybridge, Surrey KT13 0SJ. Tel (0932) 53444 ext 3945.*

BRITISH AEROSPACE
...up where we belong

HMS

ACCOUNTANCY APPOINTMENTS
5TH FLOOR, ELDON STREET, LONDON. EC2M 7LA

CAPITAL BUDGET AND CONTROL ACCOUNTANT
£20,000 plus big 4 banking benefits

Qualified graduate with extensive financial experience, with a knowledge of Capital Investments required for a progressive international division.
Benefits include: Mortgage Subsidy, profit share, annual bonus, overtime and pension.

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ACMA (Graduate) required for very profitable hi-tech market leaders. Rapidly expanding Company/Dept.
Benefits include: Generous bonus bi-annually, family BUPA, share option.

FINANCIAL CONTROLLER (F.D.)
£22,000 plus 2.0L Granada plus bonus

International Light Engineering Company, T/O £7m, seek AC' (ACCA). Responsibility for company secretarial duties and supervision of 10 staff.
Benefits include: Co. car, BUPA, pension, 25 days holiday, expenses and excellent prospects to F. D.

For these and other positions, please contact Howard D'S[illegible] or David Peters on 01-638 2683 or write to them at:

HMS ACCOUNTANCY DIVISION,
5th Floor, 18/25 Eldon Street, London EC2M 7LA

HESTAIR MANAGEMENT SERVICES LIMITED

Financial Controller

Circa £20,000 + Car & benefits

An expanding Freight Forwarding Company near Heathrow requires a qualified accountant.

The successful applicant will have previous freight forwarding experience and will be required to produce monthly management accounts as well as managing the accounts department.

Good career prospects.

Applicants should send full details to The Financial Director.

Write Box A0525, Financial Times, 10 Cannon Street, London, EC4P 4BY.

Assistant Financial Controller

West End

c£35,000 + car

This client is a leading retailer, with international interests. Due to promotion there is a requirement for a qualified accountant to join the Group's head office and to manage a small, professional team.

This role, within an informal but highly successful environment, will involve considerable liaison with the main board and subsidiary senior executives. The individual will be responsible for the group accounting function, the appraisal of subsidiaries' performance and commercially biased projects on an ad hoc basis.

Candidates should be qualified accountants, with the ability to communicate effectively, have an analytical and a practical approach to problem solving. Age indicator 28-34.

The group seeks to expand by internal organic growth coupled with acquisition both in the UK and overseas. Thus they are able to offer good career prospects and attractive remuneration package including share options.

Please write enclosing full resume quoting ref: 131 to:
Nigel Hopkins FCA,
97 Jermyn Street,
London SW1Y 6JE.
Tel: 01-839 4572

Cartwright Hopkins
FINANCIAL SECTION AND SEARCH

THORN EMI

DEPUTY GROUP TAX MANAGER

West London c.£30,000 + car and benefits

Thorn EMI plc is a major manufacturing and service group with extensive UK and overseas operations.

The Group Taxation department is about to relocate to West London and a deputy is required to the Group Taxation Manager. Primary areas of responsibility will be UK corporation tax, the taxation of the company's overseas subsidiaries which number some 150 in 38 different countries, and the impact of overseas taxation on UK liabilities. In addition to these specific responsibilities the person appointed will deputise for the Group Taxation Manager in all other taxation areas.

Preferred applicants for this position will have at least five years UK corporation tax experience with a significant level of overseas taxation involvement. The ability to explain taxation matters to senior management of subsidiaries is essential as is the ability to organise a wide range of differing problems.

This is an ideal opportunity to gain in-depth experience with a multi-national organisation and would suit somebody from a professional office, another multi-national at a slightly lower level or from the Inland Revenue.

In the first instance please send brief personal and career details to Douglas G. Mizon quoting ref. E/157M at Ernst & Whinney Management Consultants, Becket House, 1 Lambeth Palace Road, London SE1 7EU.

Ernst & Whinney

THE BIGGEST CHALLENGE OF YOUR CAREER

DIRECTOR OF FINANCE **Salary negotiable**

As the Director of Finance is retiring, we are seeking to appoint a successor at a critical time in the Borough's history.

The Director plays a key role in enabling Camden to expand and maintain its programme of wide-ranging and imaginative services. The Council has long had the reputation of being one of the most forward-looking and progressive authorities in the country. Situated in Central London, Camden is a Borough of considerable contrasts. Whilst parts of it are thriving and dynamic with a large commercial sector, other parts suffer the deprivation so often found in our inner cities. It therefore presents a major challenge, particularly as the Council is experiencing the third year of ratecapping.

The role of the Finance Department is to enable the Council to fund its activities and provide the mechanisms for the effective financial management of service delivery. The Director must ensure that the Department undertakes this role successfully. Therefore, she or he will need to possess, and be able to use effectively, a wide range of highly developed management skills. Particularly, they will need to be innovative and sensitive to the competing needs of service committees and departments, and to corporate policy, when providing financial advice to the Council.

Camden has a strong commitment to achieving equality of opportunity, both in employment and service delivery. Our latest workforce survey shows considerable under-representation of black and ethnic minority employees, women and employees with disabilities in top management and professional posts. It is our intention to redress this under-representation.

Full details of the post, including the criteria to be met, the timetable for making this appointment, and application forms (returnable by 29th May), can be obtained by telephoning Martin House, Controller of Personnel Services on (01) 388 2484 ext 2500. Or write to him at 141 Euston Road, Camden, London NW1 2LL. Please quote ref no. 2/508/FT.

EQUAL OPPORTUNITY EMPLOYER
Applicants are considered on the basis of their suitability for the post, with equal opportunities for women, black/ethnic minorities, lesbians and gay men and people with disabilities, and regardless of marital status, age, creed/religion and unrelated criminal conviction. All posts are open for job-sharing.

Camden Services

ACCOUNTANT - Basingstoke
£15,000 plus car
Reporting to the Financial Director, responsible for cost and management accounting. Ideal applicant should be fully qualified with two years, +, experience.
Call Pauline Godley at
MERIT RECRUITMENT
on (0256) 471506

INFORMATION SYSTEMS ACCOUNTANT

but a people person too!

c.£25,000 + car **London based**

Our client is one of the world's largest and most successful financial services groups. This newly created position has been engendered by the continuing need to meet the information requirements of each of the profit centres within this wholly professional organisation. We are looking for a qualified accountant, probably mid twenties to early thirties, who crucially has experience of large scale Information Corporate Planning Systems, as well as exposure to project implementation. Flexibility and the ability to hold the confidence of a wide ranging level of end users is equally important. Career prospects within the company are superb and the base salary is generously augmented by a benefits package designed to attract the highest calibre candidate. Please send full career details to Malcolm Lawson, quoting reference LI 7077.

13/14 Hanover Street, London W1R 9HG. Telephone 01-493 5788.
Link International Search & Selection Ltd.

Financial Controller

(FINANCE DIRECTOR DESIGNATE)

Central London 28-34 To K25 plus package

Our client is an unquoted consumer products company, with £4m turnover. A qualified accountant, ACA, ACMA or ACCA, is needed to work closely with the Managing Director. The key role is to have a significant influence on profit and cashflow and take full responsibility for all financial matters, including the running of the accounts department. This requires someone with a shirtsleeve approach and a commercial outlook, who wants to be thoroughly involved in the business.

Previous experience as a Financial Controller of a successful family business, is preferable. Alternatively, a management accountant able to demonstrate the ability to have an impact on profit and cashflow will be considered. A working knowledge of financial computer systems is essential.

The significant remuneration package includes a fully expensed car and the opportunity to earn generous contribution related rewards.

Please reply outlining why you are relevant (stating reference LCK/K10) with a CV, current salary and daytime telephone number to:—

Leslie Kuelsheimer
Acre House, 69/76 Long Acre, London WC2E 9JW

LIVINGSTONE FISHER ASSOCIATES LIMITED
Management Consultants

ASSISTANT TREASURER

who can handle high finance

Starting with circa £24,000 + Car City Based

The National Home Loans Corporation is a young, dynamic company which is already enjoying tremendous success in the residential mortgages market.

Our record of growth and profitability is unrivalled — and we have big plans for the future.

We now require the services of an ambitious Assistant Treasurer/Dealer. Your task will be to support both the Divisional Director Treasury and the Deputy Treasurer by taking over the task of dealing on the money market. You will also operate and develop the department's reporting systems and other functions.

This is a key area of the company, where results count. You will possess a professional qualification, 'A' level Maths, and at least two years' experience in a corporate treasury department, banking or accountancy. You will also need the ability to act on your own initiative and apply good, sound judgement.

In return, we offer a good remuneration package and career prospects you would expect from one of the fastest growing names in financial services.

So if you're aged 27-33 and have what it takes to handle high finance, write now with full details of your career and credentials, to: Peter Ward, Personnel Manager, The National Home Loans Corporation plc, St. Catherine's Court, Herbert Road, Solihull B93 3QE.

National HomeLoans

Chief Accountant

Information Technology

W. London **To £23K**

An autonomous and highly successful subsidiary of a major British enterprise, our client designs, manufactures and markets a range of sophisticated telecommunications/computer equipment. Turnover is c.£30m generated through many customers in the City and other expanding markets in the UK and overseas.

Increasing volume of business has created the need for a Chief Accountant to take control of the financial and management accounting functions and develop systems to meet the needs of a growing company. This is an important new position reporting to the Financial Director and deputising for him when required, supported by qualified and experienced staff.

Candidates must be qualified accountants who have gained management experience in a commercial environment and possess the ability to innovate and take an active part in the development of the business. Preferred age range is 28-45. Prospects are excellent.

Please apply with cv quoting ref: 312/3/FT to Mike Cross at Charles Barker MSI, 30 Farringdon Street, London EC4A 4EA. Tel: 01-634 1143.

CHARLES BARKER
SELECTION·SEARCH·ADVERTISING

Financial Accountant

£18,000 per annum

A leading Architectural Practice in London, W1, require a recently-qualified chartered accountant. Ideally seeking their first move into the commercial environment.

The successful candidate will be responsible for maintaining financial and accounting records for the Partnership which will involve consolidation and interpretation of information from many sources.

Please apply, giving full details of previous experience.

Write Box A0523, Financial Times
10 Cannon Street, London EC4P 4BY

EXECUTIVE JOBS

IF YOU EARN OVER £25,000 PA AND ARE SEEKING A NEW OR BETTER PAID JOB

In the accountancy or financial field our team of consultants, all of whom have had managing director level experience, can help you

Our successful Executive Action Plan helps you find appointments quickly and discreetly, particularly in the unadvertised vacancy area.

Contact us for an exploratory meeting without obligation. If you are currently abroad ask for our Executive Expat Service.
32 Savile Row, London, W1. Tel: 01-734 3879 (24 hours)

Connaught

HMS
ACCOUNTANCY APPOINTMENTS
5th Floor, 18-25 Eldon Street
London EC2M 7LA

SYSTEMS ACCOUNTANT

West London c. £20,000 + Benefits

Our client, a dynamic, rapidly expanding PLC in the ELECTRONICS INDUSTRY, seeks an ACCOUNTANT to develop and complete the implementation of its manufacturing control systems, on a newly acquired company.

Applicants, preferably C.I.M.A., should have experience in a highly computerised manufacturing environment and have the communication skills necessary to enable them to liaise effectively with senior managers in other departments.

Initially this will be a hands-on role in a SUPERB, MODERN HIGH-TECH ENVIRONMENT with the opportunity for rapid advancement in status and responsibilities.

In the first instance telephone 01-638 2683 or write to Trevor Dawes at the above address enclosing your C.V. All replies will be treated in strictest confidence.

HESTAIR MANAGEMENT SERVICES LIMITED

Accountancy Personnel

Placing Accountants First

International Financial Controller

West London **c£30,000 + Car**

Our client, a US multi-national is creating an exceptional new opportunity for a self motivated individual to co-ordinate effective control of their manufacturing units within Europe, South America and Australia.

This demanding new venture requires a forthright and professional approach as the position encompasses the development of effective systems, cash management, project funding, pro-active control and financing throughout the International Group.

Candidates will be qualified accountants aged 28+ who can demonstrate a track record of achievement in either the financial or commercial sectors. Whilst overseas travel is a pre-requisite, a foreign language is not essential.

An attractive remuneration package is offered to the successful individual.

If you possess the necessary qualities and seek a challenging career move, please apply in writing to The Manager at the address shown.

Accountancy Personnel,
Hodford House,
Suite 24,
17-27 High Street,
Hounslow,
Middlesex,
TW3 1TA
Tel: 01-570 1616

Financial Controller

Stockbroking

South East *c. £25,000 + car*

A well established and rapidly expanding stockbroking group, now owned by a U.K. Merchant Bank, seek an ambitious recently qualified Chartered Accountant – *preferably with a* background in the financial services sector.

Reporting to the existing Finance and Operations Directors, the person appointed will be expected *to make a major contribution* to the financial control of the business and the reporting requirements of both the Bank and Regulatory Authorities.

Future prospects are exceptional and it is envisaged that early success in this position will be rewarded with Director status.

Please reply to Tish Cole with details of age, career and salary progression quoting reference 5001/FT on both envelope and letter.

Deloitte Haskins+Sells
Management Consultancy Division
P.O. Box 198, Hillgate House, 26 Old Bailey, London EC4M 7PL

FINANCIAL CONTROLLER

Gatwick circa £30,000 p.a. + Car

Our client is an air broker and freight forwarding agent, the subsidiary of a *major American airline. The operation has grown steadily over the last five* years and turnover this year will exceed £30 million. Currently 60 staff are employed. This continued expansion now necessitates the appointment of a Financial Controller.

This is a senior management position reporting to the Administration Director. In addition to managing a comprehensive and effective finance function, the person selected will also be required to prepare and implement a systems design plan and installation strategy.

The successful applicant, male or female, will be a qualified accountant with in-depth experience of financial and management accounting, tax planning and MIS. Preference will be given to graduate Chartered Accountants. The key requirements of this role are a practical approach and the ability to achieve results through others.

Remuneration will be in the range indicated above and a profit related bonus will be introduced after 12 months. Other benefits include a company car and, after a qualifying period, concessionary air travel. There is excellent scope for further development and promotion.

Applications in the form of a detailed curriculum vitae should be sent to the person below quoting reference 87/01/05. Replies will be reviewed by our client so please list, in a separate covering letter, any companies to whom your application should not be forwarded.

R. PAUL RUSSELL,
ARTHUR ANDERSEN & CO.
1 SURREY STREET,
LONDON, WC2R 2PS.

ARTHUR ANDERSEN &CO.

Hoggett Bowers

Executive Search and Selection Consultants

BIRMINGHAM, BRISTOL, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD and WINDSOR

Finance Director

High Volume Industrial Consumer Products
North West, c £22,000, Car, Benefits

A £12m turnover subsidiary of an acquisitive international group requires a Finance Director who will provide positive financial control through a period *of expansion and change. The company manufactures and sells a wide range* of industrial consumable products through a national network of distributors. As part of a committed and enthusiastic management team and reporting to the Managing Director, there is responsibility through a department of 40, including DP, for the total accounting and administration function. The *Company is currently in the process of changing its computerised accounting* systems and applicants should have experience of systems implementation. Candidates will be qualified FCMA/FCCA, aged 35–45, already working at Director or Controller level with significant experience in a manufacturing environment. They must be totally familiar with standard costing systems and *able to demonstrate excellent management and commercial skills.*
R. Webster, **Hoggett Bowers plc,** *St. James's Court, 30 Brown Street,* **MANCHESTER, M2 2JF, 061-832 3500.** *Ref: M17005/FT*

Financial Director Designate

Lincolnshire, Package To £20,000, Bonus Opportunity, Car, Relocation

This is an opportunity to become involved in a greenfield manufacturing situation. The client is a newly formed subsidiary of a diverse private holding group and is embarking on the establishment of a substantial manufacturing company, the products being high value processing plant sold into worldwide markets. The requirement is for an ACMA aged 30–45 who has very strong manufacturing accounting experience including systems implementation and budgetary control in a batch production environment. This is a fully accountable role with group reporting requirements. A full board appointment is envisaged in the short term. The benefits include a substantial bonus opportunity and full relocation assistance to an attractive area.
P.A. Adderley, **Hoggett Bowers plc,** *7 Lisbon Square,* **LEEDS,** *LS1 4LZ,* **0532 448661.** *Ref: L11013/FT*

Financial Controller

Manufacturing
Bath/Bristol Area, c £18,000, Bonus, Car

This long established company is part of a major international group and provides a top quality range of products to UK and European markets. The group is highly successful and has substantial plans for future expansion. The post of Financial Controller has been created within the UK company due to the increasing involvement of the Financial Director in the international operation. The position involves responsibility for all the key accounting functions and the control of all accounts staff. In addition, you will be responsible for the development and maintenance of both retrospective and proactive reporting systems. The scope of the job will increase substantially as the company expands. You will be a qualified accountant and probably in your mid to late twenties. You will already have held a substantial accounting position in a manufacturing company, preferably with some manufacturing responsibility. You will certainly be ambitious and enthusiastic about joining an equally ambitious company, with a very exciting future. Terms and conditions are highly attractive and include a quality car, together with the usual benefits and relocation assistance where necessary to this highly attractive part of the UK.
C.W. Theaker, **Hoggett Bowers plc,** *13 Frederick Road, Edgbaston,* **BIRMINGHAM, B15 1JD, 021-455 7575.** *Ref: B12015/FT*

Financial Controller

Telecommunications
Greater Manchester, c £16,000, Car

DEFINITELY NOT FOR THE FAINT HEARTED! Already established in a *market that is growing at a prolific rate; this telecommunications company* will continue to grow rapidly both organically and by acquisition. The young and dynamic management urgently needs the financial expertise to back up its successful marketing skills and is looking for a commercially minded individual whose interests go well beyond pure book-keeping. The initial task *will be to formalise and streamline the accounting systems and provide the* Directors with up-to-date information and advice, but within a short timescale *the appointee will be expected to fulfil a complete Finance Director's role.* Candidates will be graduate ACA's, aged 27–33, already with experience outside the profession in a pressure environment who are excited by the *prospect of becoming totally involved in running the business.*
R. Webster, **Hoggett Bowers plc,** *St. James's Court, 30 Brown Street,* **MANCHESTER, M2 2JF, 061-832 3500.** *Ref: M17006/FT*

These positions are open to male or female candidates. Please telephone for a Personal History Form to the relevant office, quoting the appropriate reference.

Appointments Wanted

FINANCE MANAGER/FINANCIAL ADVISER/CONSULTANT

High calibre UK qualified Arab national with extensive Financial Management experience. Good knowledge of oil industry and outstanding record of achievement. *Excellent negotiating skills.* Seeks interesting position preferably to be based in Europe with travel to Middle East.

Write Box A0517, Financial Times 10 Cannon St, London EC4P 4BY

Accountancy Personnel

Placing Accountants First

Darchem Limited

For further details, please contact:
The Manager,
Accountancy Personnel,
Victoria House,
159-163 Albert Road,
Middlesbrough,
Cleveland TS1 2PX.
Telephone: 0642 225716.

ACCOUNTANT

Darlington

Darchem Group Companies design, manufacture and install precision engineered systems and components for the nuclear, aerospace and automotive industries. The Group has a record of steady growth through acquisition and development of high quality products and processes for these industries.

Internal promotion has created an opportunity for a qualified Accountant to be responsible to the Chief Accountant at the Darlington head office.

Candidates, aged 25-35, should possess sound technical skills, experience in a manufacturing environment and the ability to develop and apply accounting systems to assist management decision making processes.

Darchem Specialised Mouldings

For further details, please contact:
The Manager,
Accountancy Personnel,
Davey House,
Castle Meadow,
Norwich,
Norfolk NR1 3BY.
Telephone: 0603 760141.

FINANCIAL CONTROLLER

Huntingdon

The recent acquisition by the Darchem Group of Specialised Mouldings Limited of Huntingdon extends Group activities into high performance composites and the manufacture of models and simulators to the highest standard of accuracy and finish. As part of a series of developments to take the Company to a leading position in the industry, they need to appoint an Accountant to be responsible for the financial function at Huntingdon.

A qualified accountant, you should have a least 5 years management experience, preferably in a technically based production business, and the ability to forecast, monitor and control the commercial and financial results of manufacturing decisions.

For both positions, the Company offers a highly competitive remuneration package, *including a Company car, performance related salary progression and, where* appropriate, re-location assistance.

CONFIDENTIAL

For further details, please contact:
The Manager,
Accountancy Personnel,
4a Copthall House,
Station Square,
Coventry, CV1 2PP.
Telephone: 0203 57202.

MANAGEMENT ACCOUNTANT

Coventry **£17,000 + Car**

Our client, a small but successful subsidiary of a major manufacturing Plc seeks a highly motivated ACMA/ACCA for a newly created role.

The position will include heading up a team of seven staff preparing management accounts and installing a sophisticated standard costing system.

The role reports directly to the Financial Director and forms part of a senior management team. *Suitable applicants will be 2/3 years post qualified and will* demonstrate a high level of technical competence.

CONFIDENTIAL

For further details, please contact:
The Manager,
Accountancy Personnel,
49 King Street,
Manchester M2 7AY.
Telephone: 061-834 9733.

BUSINESS ANALYST

North West **£14-16,000**

Our client is a Blue Chip manufacturing company with ambitious plans for continued expansion. Fundamental to their further success will be the contribution *of the Group Planning Department.*

The planning team is to be strengthened by recruiting an able young accountant to play a vital role in the company's strategic planning process; evaluating the performance of current business activities and investigating potential acquisitions.

As a commercially aware recently qualified accountant you will be given the *opportunity to develop your undoubted communication and interpersonal skills to* the full with this prestigious organization.

Rock GARDEN

FINANCIAL CONTROLLER

Covent Garden c£21,000 + Car

Over the past 11 years the Rock Garden has established itself as one of the most popular restaurants and rock venues in London.

Building on this success, the company has recently restructured following a buy-out by two of its major shareholders. They have formed a holding company, Rock Garden Group Limited, with subsidiary companies falling into two distinct groups:

Catering
Rock Music

With annual sales of around £1.5m they are now poised to expand both areas of the business and are seeking a qualified accountant, with experience in a commercial environment, to take over all financial aspects of the Group and make a positive contribution to its continued success.

In addition to managing the accounting and finance function, the Financial Controller will be required to undertake crucial financial investigations and advise the Board on matters affecting the expansion of the company. One of the first tasks will be to develop a computerised management information and accounting system.

This is an exceptional opportunity for an ambitious and dynamic person to join a progressive company. The Chairman has stressed that candidates must be interested in catering, music, marketing and environmental issues and, whilst an informal approach is encouraged, a high degree of professionalism will be expected.

The successful candidate will report to the Chairman and will be expected to join the board as Finance Director and Company Secretary in due course.

In the first instance, please write with full career details, salary history and daytime telephone number to Mandy Davies, Robson Rhodes, 186 City Road, London EC1V 2NU.

ROBSON RHODES
Chartered Accountants

FINANCIAL CONTROLLER

DOMESTIC BANK

Saudi Arabia c.$70,000 with substantial benefits

An experienced financial controller is required to join the top management team of this expanding and predominantly Saudi National domestic bank. He will be responsible for implementing and operating all aspects of the accounting and financial control systems of the bank, including financial planning, budgeting, profit analysis, management accounting and taxation, together with the extension of the bank's MIDAS 38 computer based accounting system.

This demanding appointment calls for a professionally qualified accountant with experience at *senior management level of* broadly based retail and commercial banking. Candidates should be fluent in English and preferably have some understanding of Arabic. The ability to co-ordinate the demands of a growing branch network within a multi-national staffing environment is essential.

An attractive salary plus a full expatriate benefit package is offered. Applications in strict confidence with full details of qualifications and experience quoting ref: F/317/W should be sent to Paul Wagstaff at Ernst & Whinney, PO Box 9267, Dubai, United Arab Emirates or Douglas G Mizon at Ernst & Whinney Management Consultants, Becket House, 1 Lambeth Palace Road, London SE1 7EU.

E&W Ernst & Whinney

Internal Auditor

£16,000 pa

+ holiday concessions + travel

Thomson Holidays, Britain's leading tour operator, part of the International Thomson Organisation has an opportunity for an Internal Auditor to provide an independent appraisal of both UK and Overseas operations.

Reporting to the Internal Audit Manager duties will include:

★ Control audits on systems which are all heavily computerised.
★ Audits on our overseas resorts.
★ Preparing audit reports including recommendations for improved performance and subsequently ensuring these are implemented.

Approximately 50% of activities will involve preparing, *conducting* or following up audits abroad.

The ideal candidate will be a newly qualified chartered accountant considering a first move into commerce and looking to progress to a line position within 2/3 years.

We offer excellent benefits including 25 days annual holiday, generous holiday concessions and LV's.

Starting salary will be £16,000 per annum.

Interested? Then write to Barbara Gowers, Personnel Officer, Thomson Holidays, Greater London House, Hampstead Road, London NW1 7SD, with full career details.

Thomson Holidays

FINANCIAL CONTROLLER

For expanding homes company

As a result of the growth of the business, a financial controller is required for Higgs and Hill Homes, a wholly owned subsidiary of Higgs and Hill plc, the international property and construction group.

The successful candidate will head an accounts department which is responsible for the complete accounting function embracing invoice processing, cost accounting and the preparation of management and statutory information.

Experience of computer based accounting systems and the house building industry would be an advantage.

The Financial Controller will be part of the Homes Company Management Team and prospects of progressing to the Board of Higgs and Hill Homes are good.

Salary by negotiation. Car, pension scheme and usual large *company benefits.*

The appointment is based in Staines.

Please reply initially, with a curriculum vitae, to:

J. A. Theakston, Group Finance Director, c/o Group Personnel Department, HIGGS AND HILL PLC, Crown House, Kingston Road, New Malden, Surrey KT3 3ST

HH HIGGS AND HILL

Our jobs are open to persons of either sex and this advertisement should be construed accordingly.

FINANCIAL & MANAGEMENT RECRUITMENT CONSULTANTS

DOUGLAS LLAMBIAS

LONDON · LIVERPOOL · MANCHESTER · ABERDEEN · EDINBURGH · GLASGOW

EQUITY TAX PARTNER

FCA's 35-42 From £40,000 YORKSHIRE

Our client is a "top eight" firm of chartered accountants seeking an immediate equity tax partner to take responsibility for the development of the tax practice.

Candidates (male or female) will probably already be tax partners in a "top 20" firm of chartered accountants or exceptionally be senior tax managers approaching partnership in a major practice. Ideally, candidates will have a mixed corporate and personal tax background but with a particular emphasis on personal tax planning experience and tax practice development.

Current clients range from multinational plc's to fast growing family businesses, entrepreneurs, Lloyd's underwriters and other high net worth individuals.

This is an exceptional opportunity to take responsibility for the development of a very high calibre tax practice heading an established tax department with a very broad range of successful clients.

For more information, please contact **George Ormrod BA (Oxon)** Director or **Martin Purrier ACA on 01-836 9501** or write with a copy of your CV plus tax technical CV to Douglas Llambias Associates Limited at our London address **quoting reference number 7665A.**

FINANCIAL & MANAGEMENT RECRUITMENT CONSULTANTS
DOUGLAS LLAMBIAS

A FIRST MOVE INTO MANAGEMENT CONSULTANCY?

If you are considering a first move into management consultancy, then:

- ◆ Research the marketplace
- ◆ Find out about the firms' different structures, services and client bases
- ◆ Identify what you want out of the move

We have the information and the facts you need. Contact us first, get a copy of our guide to the management consultancies. Discuss the options open to you and determine the right course of action to secure you with good comparative offers, at one and the same time.

Contact **Trevor Atkinson, FCA**, enclosing a CV, at the address below, **quoting reference number 7665E.**

MANAGEMENT CONSULTANCY RECRUITMENT DIVISION
DOUGLAS LLAMBIAS

OUTSTANDING BANKING OPPORTUNITIES FOR NEWLY QUALIFIED CHARTERED ACCOUNTANTS

CITY — Up to £25,000+ mortgage benefits and bonus

Our client is a leading stockbroker specialising in European equities, providing a broad range of investment services on an international basis. Due to rapid expansion, the company is seeking to recruit a number of Research Analysts to join what is already one of the largest European Research and Share Trading operations in London.

Each analyst will be responsible for developing the investment strategy for a specific European geographical area. This will include visiting senior management of leading public companies and preparing written analyses ranging from individual company studies to economic and political commentary. The role, which is both exciting and challenging, will necessitate spending six to eight working days per month abroad. Previous experience is not required since comprehensive "on the job" training will be provided. Commercial exposure within this post is exceptional and prospects are excellent within other areas of the bank.

An innovative and self-motivated approach to work is essential, as is the ability to liaise effectively with people in a closely-knit team. Applicants should be able to demonstrate high academic achievement and exposure to public companies during their training contracts. This is likely to be a first move away from Public Practice. Fluency in French, German or Italian is essential for several of the vacancies but openings also exist for non-linguists.

Written applications, enclosing up-to-date CV stating language ability (if any), should be submitted in strict confidence to **Peter Green** at our London address, **quoting reference number 7646.**

FINANCIAL & MANAGEMENT RECRUITMENT CONSULTANTS
DOUGLAS LLAMBIAS

JOIN US

INCREASE YOUR CURRENT EARNINGS

Age 25-35

Essential Requirements

◆ Ambition ◆ Professionalism
◆ Personality ◆ Sense of Humour
◆ Recruitment Experience

Send a CV or call

SUSAN FARQUHARSON
or
BRUCE PAGE

now on

01-836 9501

AT THE CENTRE

FILM & TELEVISION SERVICES FINANCIAL CONTROLLER

CITY c £22,000 + benefits

Twenty five years ago a small team of professional film technicians set up a company dedicated to the provision of outstanding production facilities.

Following an internal restructuring and the appointment of a new MD, this organisation is seeking an individual to assume full responsibilities for all company accounting and secretarial work.

Service industry experience and a commitment that matches that of the existing management team are prerequisites for this position. The appointee will be dealing regularly with clients and will assist the company in achieving its stated aim of a USM quotation.

Interested applicants should write to **Colin Vasey**, enclosing a comprehensive CV, at Douglas Llambias Associates, 410 Strand, London WC2R 0NS **quoting reference number 7665D.**

FINANCIAL & MANAGEMENT RECRUITMENT CONSULTANTS
DOUGLAS LLAMBIAS

CORPORATE FINANCE BIG 8 FIRM

To £30,000 + car Age: 27+

Our client seeks managers to join their fast developing and highly acclaimed Corporate Finance Department. Individuals must be ACA's either currently within Public Practice or the financial sector and able to demonstrate a minimum of four years' post qualification experience.

Day to day duties necessitate dealing with full and overseas listings, share placings and flotations on both the USM and OTC, raising venture capital, organising management buyouts and providing general financial advice.

For further information please contact **Gary Johnson or Caroline Benton**, enclosing a copy of your CV, to our London office address **quoting reference number 7665F.**

FINANCIAL & MANAGEMENT RECRUITMENT CONSULTANTS
DOUGLAS LLAMBIAS

BUSINESS SERVICES MANAGER SOUTH OF ENGLAND

ACA's 28-35 To £25,000 + car

Our client is a major international firm of chartered accountants seeking to recruit an experienced manager, to lead the newly created Business Services Department in a regional office of approximately 100 staff.

The role will combine substantial client advisory work with the more routine accounting, tax and audit services required by smaller private businesses. Importance will be attached to the candidates' ability to provide the general business advice required by fast growing new businesses. The right candidate should be able to demonstrate strong practice development skills and be capable of developing a computerised accounting and payroll service for clients of the firm. Our client's prestigious offices are in a city centre location in an attractive part of the country.

Candidates (male or female) should already be at manager level in an equivalent department in a large practice or have trained with a large firm and currently be working in a general practice environment.

The appointee will be of the calibre to justify partner status in due course.

Should you wish to be considered, please write enclosing a CV to **George Ormrod BA (Oxon)** or **Stephen Hacket BA (Oxon)**, Douglas Llambias Associates at our London address **quoting reference number 7665G.**

FINANCIAL & MANAGEMENT RECRUITMENT CONSULTANTS
DOUGLAS LLAMBIAS

MERGERS & ACQUISITIONS

CITY

Newly Qualified To £25,000 + bonus

As one of the world's largest and most profitable investment banks, our client is looking to recruit exceptional individuals into their Mergers and Acquisitions Department.

The image of the bank is to be pro-active rather than re-active and transactions are effected in the domestic market as well as the US and European markets. This is an excellent opportunity for smart professionals with entrepreneurial flair and a charismatic presence.

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The base salary will be up to £25,000 with a high percentage discretionary bonus, which is performance related. Interested candidates should write enclosing full CV to **Deborah Sherry**, Douglas Llambias Associates Ltd, 410 Strand, London WC2R 0NS, **quoting reference number 7665C.**

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MANAGEMENT CONSULTANCY RECRUITMENT DIVISION
DOUGLAS LLAMBIAS

DOUGLAS LLAMBIAS ASSOCIATES LIMITED, 410 STRAND, LONDON WC2R 0NS
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Thames Court
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Windsor SL4 1HB

Price Waterhouse

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If you possess the necessary qualities and are excited by the challenge offered, you should write to Jon Anderson ACMA, Executive Division enclosing a comprehensive curriculum vitae and telephone number quoting ref: 410 at 39-41 Parker Street, London WC2B 5LH.

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Please reply in confidence with full curriculum vitae including details of current remuneration and a contact telephone number to D.E. Shribman.

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Please write enclosing career and salary details to
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The Financial Times proposes to publish a Survey on Recruitment and Personnel Services on

July 1 1987

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or
01-248 4864

FINANCIAL TIMES
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Finance Director

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The company, engaged in medium/heavy manufacturing, is undergoing a much needed overhaul following its recent acquisition by a dynamic and profitable public company. There is an urgent need for the establishment of effective systems which will provide accurate and timely information, particularly in the area of product profitability analysis. A demanding but rewarding time lies ahead of whoever is appointed.

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Salary is negotiable around £25,000 and bonus arrangements could yield in excess of £3,000. There is a company share option scheme and a fully expensed car is provided.

Please send career details, in confidence, to A. D. Percival.

Ravenscroft & Partners
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Group Accountant

to £20,000 p.a. + car + bonus + share options

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Our client is a leading international design Group which employs some of the most innovative people in all areas of their business. As a fast growing public company they look for strong financial skills complemented by a fresh, lively approach to business building.

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So, if you're a true original rather than a pale imitation, contact Brigitte Regan-Simpkin on 01-628 5021 (256 6925 evenings/weekends), or write to her at Austin Knight Selection, 17 St. Helen's Place, London EC3A 6AS, quoting reference 369/BRS/87.

Austin Knight Selection

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Interested applicants should write to **Barry A. Ollier ACA**, enclosing a comprehensive curriculum vitae and telephone number, at the **Executive Division, Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH**, quoting ref: 409.

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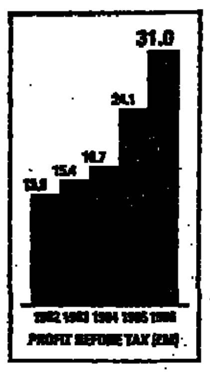
- Systems implementation and design
- Member of Product Group Executive



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The successful applicants will be Qualified Accountants with well developed commercial sense and the ability to make a significant contribution to the operation of the business. An experienced man-manager, you will possess strong inter-personal skills and be a self-starter with ambition and flair. In return you will enjoy a challenging career with outstanding prospects throughout the Group.

For further information interested candidates should contact **Nigel Wright ACA on 021-643 6255** at **Michael Page Partnership, Executive Division, Bennetts Court, 6 Bennetts Hill, Birmingham B2 5ST.**

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ADDISON CONSULTANCY GROUP PLC

Addison Consultancy Group PLC is a leading international communications and management consultancy, providing a range of professional business services, specialising in the fields of Recruitment, Design, Financial and Corporate Communications, Consumer Communications and Market Research.

In line with the Company's forward strategy they are seeking to strengthen their Head Office finance function with the following appointments.

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Reporting to the Group Corporate Accountant, this position entails responsibility for the Group's management reporting functions, preparations of group budgets and forecasts and involvement in assisting senior management with financial analysis for corporate and strategic business plans. There will be participation in a number of specific projects together with the development of computer based financial systems.

Candidates, preferably aged between 24 and 29 should possess a recognised accounting qualification (ACCA, ACMA, or ACA) and be able to demonstrate previous spreadsheet experience.

ASSISTANT GROUP FINANCIAL ACCOUNTANT to £18,000 + bens

This key appointment will provide control of the day-to-day Head Office accounting function, as well as that of the Group Company Subsidiaries. Reporting to the Group Financial Accountant in Central London, and supervising three members of staff, the selected candidate will be responsible for the preparation of monthly management and half-yearly financial accounts, respectively.

Candidates should be Chartered Accountants, aged 25-29. This is an excellent entry point into a rapidly expanding organisation, with promotion prospects that extend throughout the entire Group.

Interested applicants should contact **Gerald Whiting on 01-831 2000** or write, enclosing a comprehensive c.v. to **39-41 Parker Street, London WC2B 5LH, quoting ref 2085.**

Michael Page Partnership
International Recruitment Consultants
London Windsor St Albans Bristol Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
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Financial Controller

Central Africa

Our client, one of the world's leading multinational tobacco manufacturing and marketing groups, is currently seeking a young, ambitious individual for a key management position.

Reporting to the Financial Director, responsibilities will include:

* management of the overall financial accounting function
* budgeting and financial planning
* further refinement of PC based A/C systems
* full financial reporting to Group

Candidates must be qualified accountants, aged 26-32, with at least 2 years' post qualifying experience in industry to include budgets and cash management; 'hands-on' PC experience and team leadership. A working knowledge of French is also essential.

There is scope for significant promotion and career advancement for the international career-minded individual. The position offers married status and commands an attractive salary and expatriate benefits package.

Interested candidates should contact **Warwick Holland on London 01-831 0431** or write, enclosing a full CV, to **Michael Page International, 39-41 Parker Street, London WC2B 5LH.**

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Recruitment Consultants
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Young Accountants

c£18,000

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Please write with career details to:

Clive Weston, Personnel Manager, Northern Telecom plc, FREEPOST, Maylands Avenue, Hemel Hempstead, Hertfordshire HP7 4BR. Telephone Hemel Hempstead (0442) 41141.

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Financial Project Manager

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A part-qualified accountant, or graduate in Business Studies, you must possess good communication skills and will ideally be familiar with computer software.

For the right person we are offering a starting salary of up to £14,000 p.a. plus an attractive range of benefits including 23 days' holiday, a contributory pension scheme, season ticket loan and health and welfare services. Future career development prospects are excellent.

Please write with full c.v., quoting *reference PR14, or telephone for an* application form: Chris Taylor, Personnel Manager, British Telecom, West End District, Dial House, 151 Shaftesbury Avenue, London WC2H 8BA. Telephone: Freefone 2172 or 2173 (London area only). Closing date: 29th May, 1987.

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Supported by the company accountant, the Finance Director will also be responsible for group financing requirements, particularly in relation to overseas subsidiaries; advising the Board on investment of funds; and general personnel and company secretarial duties.

The successful candidate will be a qualified accountant between 35 and 45 who is able to demonstrate an excellent track record in a senior financial position, preferably with an international organization. Some personnel management experience would be a distinct advantage.

This is a demanding role requiring enthusiasm, stamina and effective communication and social skills. Since the company operates on a world wide basis, overseas travel will be required. Excellent health is therefore essential.

Remuneration is commensurate with a senior management board position.

Applications, in writing, giving a full career resumé and recent salary history to Mandy Davies at Robson Rhodes.

ROBSON RHODES

Chartered Accountants

Management Consultancy Division
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FINANCE DIRECTOR DESIGNATE

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- can show sound career progress including management responsibility
- have experience in management reporting, budgetting and financial planning
- have worked closely with computer based accounting systems
- are seeking a final step in their career path.

Please write enclosing detailed C.V. to Christopher Brooks, Morison Stoneham Management Consultants Ltd, 805 Salisbury House, 31 Finsbury Circus, London EC2M 5SQ.

Morison Stoneham
Management Consultants Limited

Group Financial Controller

North London. c£28,000 plus car and share option

We are a highly successful public company operating internationally in specialist industrial markets. The continuing expansion of the Group and a recent promotion has created an exciting opportunity at the Group's head office. We are looking for a top-flight, ambitious, young accountant who has the experience, aptitude and enthusiasm to make a contribution to the development of the financial function and to justify further promotion within the Group.

The successful candidate is likely to be a Chartered Accountant, aged around 30, who has already made a mark in industry and who possesses above-average personal skills and technical competence.

Write in confidence with full personal and career details to: Box A0520, Financial Times, 10 Cannon Street, London EC4P 4BY

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Thursday May 14 1987

Amoco moves closer to deal on Dome Petroleum

BY BERNARD SIMON IN TORONTO

AMOCO, the US oil group, has moved one step closer to its proposed C$5.1bn ($3.8bn) acquisition of Dome Petroleum by signing a definitive merger agreement with the debt-laden Calgary energy producer.

The two companies will brief Dome's 56 international lenders on details of their agreement at what is expected to be a lively meeting in Toronto today. The meeting will be followed by a press conference.

With debts totalling C$6.4bn, Dome is unable to meet its full obligations to lenders. The creditors, who are divided into several classes according to the type of security to which they can claim title, are thus likely to be split among themselves on the best way of dividing up the proceeds of the sale to Amoco.

Lenders are also expected to question the generous terms proposed for Dome's shareholders, who are to receive roughly the current market value of their shares.

An official at one US bank predicted yesterday that "certain creditors will use their legal positions to rearrange how the pie is distributed." The stiffest resistance is expected to come from lenders, mainly leading Canadian banks, whose loans are secured by assets of disputed value.

In an effort to mollify a group of restive public unsecured debtholders, Dome and Amoco said that payments to this group will be entirely in cash, instead of a combination of cash and securities initially proposed.

The public unsecured group, consisting of holders of Eurodollar securities, three series of Swiss franc notes and participants in three Beaufort Sea development funds, will receive roughly 35 per cent of their claims. These payments total US $150m.

Dome shareholders will receive 2-year subordinate debentures with an interest rate of 7½ per cent, non-callable for seven years. These debentures will be convertible into Amoco common shares at a price of US $105.

Although Amoco is favoured eventually to gain control of Dome, the outcome of the Dome saga remains unpredictable. Besides objections by lenders to the terms of the Amoco deal, other oil companies have indicated that they are still interested in bidding for Dome.

Before accepting Amoco's offer, the Calgary company rejected bids from Transcanada Pipelines and Imperial Oil, Exxon's Canadian subsidiary.

Warner to buy Chappell for $200m

By William Hall in New York

WARNER Communications, the US entertainment giant, has agreed to pay over $200m for Chappell & Co, the world's largest music publisher, which over its 175 year history has published the works of many of the most celebrated contemporary composers ranging from Gilbert & Sullivan, Cole Porter and Irving Berlin to U2, the high-flying Irish rock band.

Warner Communications announced yesterday that it had agreed in principle to acquire 100 per cent of Chappell from a group of private investors who had bought the company for around $100m from Polygram Records in 1984. Completion of the transaction is subject to regulatory approvals and the execution of a definitive agreement.

Chappell, which was founded in London in 1811 and counted Beethoven among its early admirers, holds copywrights to more than 400,000 songs ranging from Elvis Presley to George and Ira Gershwin. Although some of the more important current popstars, such as Bruce Springsteen and Michael Jackson, now publish much of their own music, Chappell and its music publishing rivals, continue to make handsome returns on their libraries of old songs.

Warner Communications, whose interests range from films to cable TV and records, is already involved in music publishing and holds copywrights to some 250,000 songs. It has a strong position in the US market whereas Chappell is believed to have a bigger international presence.

Chappell, which retains an important London operation, is headquartered in New York and operates in 22 countries. It employs a staff of around 500. Polygram bought Chappell in 1979 for a reported £25m.

The current investor group, which was organised by Wertheim & Co, a New York investment bank, bought Chappell in 1984 for a reported $100m.

Bayer profits rise but sales drop by 9%

BY ANDREW FISHER IN LEVERKUSEN

BAYER, the West German chemical group, said it was optimistic about maintaining results at last year's high level after a slight profits rise in the first quarter.

However, Mr Hermann Strenger, the chairman, repeated the company's earlier warning that this would be a tougher year. "Without a doubt, the risks are clearly increasing in 1987".

Group pre-tax profits were 3.2 per cent higher in the first three months at DM 715m ($400m). Sales, however, dropped by 9 per cent to DM 9.46bn, mainly as a result of the sharp rise in the D-Mark.

As the main problems of 1987, Mr Strenger cited stagnating world trade, the high US deficit and growing protectionist sentiment, the fall in the dollar, and the worsening economic situation in some less industrialised countries.

Also, there would be no more relief from lower oil and raw materials prices, as in the past year. Spending by the industry on the environment was rising, too. At Bayer, this accounted for 13 per cent of 1986 group investments of DM 2.4bn. Capital spending this year will be around DM 2.3bn.

In 1986, Bayer raised pre-tax profits by 5 per cent to DM 3.3bn on sales which were 11 per cent lower, mainly through currency movements, at DM 40.75bn. The dividend is being held at DM 10 a share.

This year, volume sales have been running at the 1986 level and capacity utilisation has been high. In local currency terms, business was satisfactory in Western Europe, North America, and the Far East. Sectors showing favourable progress included plastics, polyurethanes, and coating raw materials.

Mr Strenger highlighted Japan, the second biggest chemical market in the world after the US, as a country in which Bayer wanted to expand. Its sales in Japan now approached DM 1.9bn and the group would invest up to DM 200m there in the next few years.

This was one reason for Bayer having its shares listed in Tokyo next year, he added. Also, Japanese investors were expected to invest more heavily in European, especially German securities, in coming years.

To enable Bayer to react quickly to any new business opportunities, said Mr Franz-Josef Weitkemper, finance director, it would ask shareholders' approval for an extra DM 400m of nominal capital for future rights issues, DM 200m to cover possible acquisitions, and DM 300m for option loans.

Havas at head of flotation queue

By David Housego in Paris

HAVAS, the French state owned advertising and tourist group, was yesterday confirmed as the next group to be privatised with the announcement that the state's 40.3 per cent holding will be put on the market from May 25.

At the same time the Ministry of Finance named Indosuez and Banque Nationale de Paris (BMP) as the two lead banks in the public offering of the remaining 50 per cent shares in TF1, the first television channel. The other 50 per cent of the shares and management control have already been placed with a consortium led by Bouygues, the French construction group.

In the case of Havas, Mr Pierre Dauzier, the chairman, said yesterday that prior to the public offering the government would name the companies who would make up the 20 per cent "hard core" share ownership intended to provide it with stable management. In addition the government will hold a "golden share" in Havas for five years to protect it from unwanted takeover bids.

Though the state has only 40.3 per cent of the shares in Havas, it currently holds management control.

Those bidding for a stake in the "hard core" shareholding interest will be required to purchase between 1 and 5 per cent of the capital and to pay a premium of 8 per cent. Mr Dauzier said that preference would be given to bidding for between 3 and 5 per cent of the capital. Havas is estimated to have a market value of between FFr 4bn-FFr 5bn ($670m-$1bn).

The group sharply increased consolidated profits last year of FFr 425m

Reed to sell DIY and paint interests

By Christopher Parkes in London

REED INTERNATIONAL, the publishing, paper and paint group, is to sell its paint and do-it-yourself operations.

A management consortium is preparing a bid for the business, best known in Britain for its Crown paints and Polycell DIY lines. Other potential purchasers would also be approached, Reed said yesterday.

City of London analysts put the sell-off value at £120m to £130m ($199m to $216m).

The decision to sell followed a strategic review and a conclusion that the group should concentrate all its energies on developing its publishing, paper and packaging interests, Mr Peter Davis, Reed's chief executive, said. "We have a number of plans in both areas."

Reed has been focusing on a shrinking number of core businesses since 1982, pulling out of national newspapers, printing, wallpaper, building materials and other industries.

The latest withdrawal is understood to have been prompted by the increasing concentration of the world paint business in the hands of about a dozen multinational companies.

Imperial Chemical Industries has about 45 per cent of the European market and last year became the biggest paint company in the world when it took over Glidden, Hanson Industries' US paint subsidiary.

Although the Reed paint and DIY business is a substantial business in the UK, it is a small operator in global terms. It employs about 5,000 people and last year made a trading profit of £18.9m on sales of £288m.

In the six months to the end of September – a period heavily weighted by the spring and summer home decorating season – sales were £155m and the trading profit £12.9m. City analysts expect £22m in profits for the full year.

Crown Paints has 17 per cent of the UK market, behind ICI with more than 30 per cent but ahead of Berger with around 5 per cent.

The Polycell business, founded on wallpaper paste and fillers, has recently been expanded to cover other DIY products such as home security devices and double glazing.

Swedish drugs group up in first quarter

BY SARA WEBB IN STOCKHOLM

ASTRA, the Swedish pharmaceutical group, reported an 8 per cent increase in earnings – before taxes and appropriations – to SKr 303m ($48m) in the first quarter, compared with SKr 281m in the first three months of 1986.

Much of the increase came from growth in Western Europe. Astra said that group earnings were affected by lower net financial income in the first quarter, a consequence of lower interest rates compared with the same period last year.

Sales rose 11 per cent to SKr 1.28bn, against SKr 1.15bn in the comparable period last year, but the company said the increase was entirely attributable to growth in volume.

Total sales in 1987 are expected to rise about 11 per cent to SKr 5.5bn, with earnings before taxes and appropriations increasing at the same rate.

Sales of Astra's products for the treatment of respiratory diseases increased 23 per cent to SKr 292m and its anti-asthma drug, Pulmicort, showed a 60 per cent increase in sales.

However, sales of local anaesthetics only increased 4 per cent to SKr 271m and were hit by the fall in the dollar since the US is Astra's main market. Antibiotics sales slipped 1 per cent to SKr 102m and were affected by irregular deliveries to licensees.

Audi sees dramatic plunge in its US car sales ending

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT IN LONDON

AUDI, the up-market subsidiary of the Volkswagen Group of West Germany, believes the dramatic plunge in its car sales in the US – caused by allegations that one of its models has caused injury and death because it accelerates unexpectedly – in now over.

Mr Wolfgang Habbel, the chairman, admitted yesterday, however, that the company still faces an uphill struggle and huge expenditure to re-establish the brand there.

On the brighter side, he said Audi's profits would recover after they dropped by half last year, mainly because of the fall in the value of the dollar.

Audi's difficulties in the US, its major export market, stem from claims that the automatic version of the Audi 5000 (the Audi 100 in Europe) is prone to unexpected acceleration when put into gear. The US Centre for Auto Safety says it has been notified of 1,700 incidents 1,500 accidents, more than 400 injuries and seven deaths.

Audi disputes the numbers. It says the heavy publicity about the alleged problem artificially stimulated the number of complaints. It points out that the US National Highway Transport Safety Authority is investigating similar unexplained acceleration cases involving 7m cars from 12 manufacturers.

The Audi 5000 problem seems to have attracted exceptional attention because an early case involved a priest whose runaway car killed a child in his garage.

The media interest has caused Audi's US sales to slump from the peak 75,000 in 1985 to 59,000 last year and Mr Habbel predicts they will be down to 40,000 in 1987. Dealers are suffering badly.

Mr Habbel said Audi has spent $20m to recall automatic 5000 models and put a safety device on them. This prevents the car being put into gear unless the driver's foot is on the brake.

Another $80m will be spent on advertising this year. The company has been offering $5,000 cash rebates to every customer trading in an Audi 5000 for a new one.

Belgian bank surges 40% in six months

BY TIM DICKSON IN BRUSSELS

BANQUE Bruxelles Lambert (BBL), the second largest of Belgium's commercial banks, disclosed yesterday that its gross operating profit soared 40 per cent to more than BFr 5.4bn ($145.9m) in the half year ending March 31. The result is almost identical to the performance in the same period a year ago and according to a spokesman "is reflected in all the bank's sectors of activity."

Net interest income (total reinvestment income minus interest paid) was 11.6 per cent better at almost BFr 14.7bn while "sundry" or fee income from activities such as portfolio management, exchange and gold trading and bond and share issues was 10.2 per cent higher at BFr 4.36bn.

BBL's balance sheet total rose 2.1 per cent to BFr 1.379bn, though the bank said that without dollar depreciation over the period the relevant figure would have been 5.3 per cent.

Loans to the private sector (individuals and companies) increased by 10.8 per cent, largely due to individuals

The bank disclosed yesterday that its 87.4 per cent holding in Credit European of Luxembourg has been increased to 99.9 per cent.

Woolworth jumps 45% to $29m

By Our New York Staff

F.W.WOOLWORTH, the US retailing giant, increased its first-quarter net income 45 per cent to $29m, or 43 cents a share, underlining the success of its strategy of emphasising its speciality store businesses and reducing its reliance on its famous general merchandise stores.

The group, which has increased its return of equity sharply over the last three years and boosted its dividend on three occasions, increased its first-quarter sales by 8.4 per cent to $1.53bn. Its pre-tax income rose 36 per cent to $49m.

Speciality stores sales rose 14.4 per cent and general merchandise sales rose 5.4 per cent. Domestic sales rose 6.4 per cent and foreign sales rose 11.9 per cent.

However, the company notes that the increase in foreign sales reflected the weakness of the dollar and if this is stripped out foreign sales would have been unchanged and total sales would have risen by 3.8 per cent in the latest quarter which ended May 2 1987.

The group says that operating income of its speciality stores rose $7m and general merchandise operating income rose $6m. Domestic operating income rose

Tiffany out of the red after direct mail boost

BY OUR FINANCIAL STAFF

TIFFANY, the fashionable New York-based jewellery and luxury goods retailer which earlier this month completed a $103.5m international equity offering, reported first-quarter net profits of $1.02m or 12 cents a share, compared with a loss of $1.31m or 18 cents a year earlier.

The company, which was bought by an investor group from Avon Products in 1984, lifted operating profits from $73,000 to $3.3m in the latest quarter which ended April 30. Sales rose 37 per cent to $43.4m, with the company enjoying strong sales growth in its three major business areas, US and international retailing, and direct marketing.

Mr William Chaney, chairman and chief executive, attributed the strong performance to a favourable retail environment, significant improvement in the company's direct mail results and "successful new strategies which resulted in higher corporate business."

International operations were also buoyed by substantial rises in Tiffany's Japanese business. "In addition to these key factors, we continue to leverage our fixed base of expenses into greatly increased sales volume and profitability."

Mr Chaney added that the latest results were particularly pleasing because "the first quarter is normally our weakest period due to the seasonal nature of the business."

Preussag to omit dividend

BY OUR FINANCIAL STAFF

PREUSSAG, the West German metals and mining group, will not pay a dividend for 1986 following another year of difficult trading.

The company said yesterday that it had been hit by weak crude oil and natural gas prices as well as poor trading in non-ferrous metals. It added that its shipping division had experienced a steep decline in activity.

For 1985 Preussag shareholders received a reduced dividend of DM 8 a share, down from the DM 9 paid for 1984.

Group net profits for last year totalled DM 79m ($44.8m) but at the parent company level Preussag could do little more than break even.

The group has changed its method of accounting and the latest results are not entirely comparable with 1985.

INTL. COMPANIES AND FINANCE

UAL links jet order to $700m Boeing loan

By William Hall in New York

UNITED Airlines, the third biggest US airline, which has been the subject of persistent takeover speculation, has placed a $2.1bn order with Boeing, the world's biggest aircraft manufacturer, in an unusual deal which involves Boeing lending United a third of the money to pay for the 36 new planes.

The order is one of the largest ever placed by an international airline and Boeing's commitment to provide United with $700m of cash in return for convertible notes underlines the fierce competition now facing the major airline manufacturers. United is a longstanding Boeing client but is known to have seriously considered buying from Europe's Airbus Industrie.

Mr Richard Ferris, chief executive of Allegis Corporation, UAL's newly renamed parent, said that his company had obtained "very competitive prices" for the equipment and welcomed Boeing's related financing commitment.

This is the first time that Boeing has made a significant investment in a major customer and underlines the steps that manufacturers are being forced to take to win new business. Boeing's investment comes in the form of $700m in 7.52 per cent convertible notes due in three equal instalments beginning in May 1990.

Under the terms of the financing agreement, Boeing will be able to convert the notes at any time to Allegis common stock or to a new series of 1.4m Allegis preferred shares valued at $500 per share, which is also convertible into Allegis common stock.

Mr Frank Shrontz, Boeing's president, said that the financing package "reflects our confidence in Allegis' future growth and its long-term success."

The hotly-contested order provides for the delivery of 15 long-range Boeing 747-400s and 21 Boeing 737-300s by 1991. The 747-400s, four of which will have a 1989 delivery date, will be assigned to United's rapidly expanding Pacific routes. The new planes will allow United to increase its service to Japan, Hong Kong, Australia and Korea. Each of the 15 planes will seat 378 passengers and will have three classes of accommodation.

The 21 new 737-300s will be used to increase United's domestic capacity and will seat 128 passengers. They will be delivered on a flexible schedule with the first delivery due late next year.

Mr Ferris said that the order represents a strong commitment to the future growth of United Airlines and to the Allegis companies, which include the Hertz car rental group and the Westin hotel chain.

Giant buys 6.3% of Clark

BY OUR NEW YORK STAFF

GIANT GROUP, a small US West Coast investor group led by Mr Burt Sugarman, a Hollywood producer, has acquired a 6.3 per cent stake in Clark Equipment, the world's biggest fork-lift truck manufacturer, and says that it might seek control of the company.

Giant Group and an affiliate, Barris Industries, said in a filing with the US Securities and Exchange Commission that it had acquired the stock as an investment, but indicated that it might consider seeking control of the company through an exchange offer, tender offer or merger, or a proxy contest.

All of the shares were purchased between March 23 and May 5 at prices ranging from $21.5 to $24.75. Clark Equipment's shares rose by $3/4 to $27.

Giant, whose interests range from cement to television game shows, is a small but aggressive company with big ambitions. Last year it earned $14.6m on sales of $81.3m and at the share price of $23 7/8 is currently capitalised at $119m.

Clark Equipment, by contrast, is a much larger company which has been facing problems adapting to a changing marketplace and has lost money for the last two years. In the first quarter of 1987 it lost $0.4m on sales of $240m.

The company, which despite its recent financial problems has a well known brand name in the fork-lift truck market, has been the subject of takeover speculation in recent months.

Mr Leo J. McKernan, Clark Equipment's chief executive, told the annual meeting that the company's principal task "has been and continues to be reducing operating cost."

Citing more than 20 new cost-reduced products as proof of Clark's considerable progress during 1986 and the first quarter of 1987, he said: "These products represent two fundamental types of achievement: first, dramatic cost reductions matched to high quality and performance features, and , secondly, newly developed products targeted to specific market segments."

Midland Bank wins Brazil unit go-ahead

BY ANN CHARTERS IN SÃO PAULO

MIDLAND BANK of the UK has won preliminary approval from Brazil's central bank for the formation of Midbank Banco de Investimento, a joint venture investment bank with two Brazilian partners.

The Banco Bamerindus do Brasil, one of the leading private banking conglomerates, and the Mendes Junior Group, a leading Brazilian construction company, are the other participants. If the final central bank approval is forthcoming as expected in two weeks, the bank will initially be capitalised at $20m.

Midland is putting in $10m in risk capital converted from outstanding credits, while the other partners are contributing $5m each.

Reisebüro Kuoni ahead

By John Wicks in Zurich

REISEBÜRO KUONI, the Swiss parent company of the international Kuoni travel agency group, proposes to increase its dividend from SFr 229 to SFr 230 per bearer share in respect of last year.

This follows a 6.5 per cent rise in cashflow to SFr 21.2m ($14.4m) and an increase in net profits by 9.3 per cent to a record SFr 8.11m.

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INTERNATIONAL COMPANIES and FINANCE

Gulf Air loses its eastern glamour

By Michael Field, recently in the Gulf

GULF AIR, the airline owned by the governments of Bahrain, Qatar, Abu Dhabi and Oman, made a loss last year, its first since the 1970s, when it was building its network. The exact figure is due to be announced next month and according to the informal estimates given by the airline's officials it will be between $6m and $15m.

Although it is cutting its spending by 10 per cent, the airline expects to make another loss in 1987.

The realisation that it is losing money has come as a jolt to Gulf Air and is causing people outside the company to talk of the airline having lost its way. The obvious basic cause of its problems is the fall in the Gulf governments oil revenues. But at the same time Gulf Air now seems to lack some of the competitive flair and glamour it showed in the mid-1970s.

It no longer has in its favour the novelty of being a new airline. Its aircraft interiors are not as smart as they were and its service on flights within the Gulf is ordinary. Its intra-Gulf schedules, which one would expect to be run like those between European centres where flights depart at the same times every day, are sometimes irregular.

Given that it has a monopoly on routes between its shareholder countries, these shortcomings do not affect its domestic revenues, but they may discourage people from taking the airline's overseas flights, on which its service is good. The airline itself blames its losses on excessive capacity and discounting on its international routes.

Last month the airline's board asked its Air Transport Committee, which is composed of the four shareholders' directors general of civil aviation, to study ways of reducing excess capacity. This will be a slow process, but the company hopes it will begin to see results in six months.

Rival airline

Part of the reason for the over-capacity is that each shareholder state has invested in a large and glamorous airport and has an interest in having as many flights as possible pass through it.

Each shareholder also has its own ideas on how many schedules should link the airline to different destinations. Qatar and Oman receive more flights than strictly commercial considerations would justify.

The newest problem to affect Gulf Air has been the advent of a rival airline in Dubai, Emirates Air. This company, which began its services about a year ago, was established with help from Pakistan International Airlines. So far it has three aircraft and operates mainly between Dubai and the Indian subcontinent. By taking Gulf Air's traffic rights on these routes, it has taken about 10 per cent of its revenues.

In July Emirates Air is to begin daily services to London and Frankfurt with two new A310 Airbuses.

The establishment of the new airline is a sensitive subject among aviation authorities in the Gulf. In a typically Gulf fashion they say that they welcome the new airline and that there is no really serious competition between it and Gulf Air.

In Dubai the more plausible line is that the state was never a shareholder in Gulf Air and that its airline is a logical outgrowth of the long-established, quasi - monopolistic Dubai National Air Travel Agency and its busy airport, which handled nearly 4m passengers in the year to the end of March—a 16 per cent increase on the previous year. DNATA, owned by the state, represeents over half of the airlines that land in Dubai and has a staff of 2,200, which is almost half the size of Gulf Air's staff.

Bad feeling

"The surprise is that we did not start an airline sooner, given our ports and our role as a service and trading centre," is the view of Mr Maurice Flanagan, Emirates Air's managing director.

In reality Emirates Air was born in part of bad feeling between Dubai and Gulf Air over Dubai's granting of traffic rights to large numbers of foreign airlines. Gulf Air resented carrying passengers into Dubai on intra-Gulf flights and then seeing them continue their journeys to foreign destinations with other airlines. It responded by cutting its services to the state.

There have been further cuts since Emirates Air was established and the new company has not been given traffic rights to any destinations within the Gulf. Although Kuwait Airways flys there regularly, reaching Dubai from most of its neighbours is now difficult.

Emirates Air is putting a brave face on its government's failure to negotiate traffic rights in the Gulf by saying, truthfully, that it can channel all its energies into opening other services.

What is good news for everyone is that Emirates is not likely to be followed by other new airlines in the Gulf, even though there has been speculation that Oman, which runs a small internal air service of its own, might be another candidate for going it alone.

Oman and the other lower Gulf states are shareholders in Gulf Air, which would mean that if any one of them broke away it would give major offence to its neighbours and allies. Also, none of the Gulf Air shareholders alone has either the passenger numbers or growth rate of Dubai and none would easily be able to justify its own airline on commercial grounds.

Linter Group increases earnings and dividend

BY BRUCE JACQUES IN SYDNEY

LINTER GROUP, the diversified textile and broadcasting company run by Mr Basil Sellers, the Australian entrepreneur, has almost trebled its after-tax profit for the yeor to March—a period full of deals and takeover bids.

The company, Australia's biggest textile group, has declared a tax-effective one-for-two bonus issue after lifting earnings from A$7.46m to A$21.18m (US$15.1m) on sales up from A$69.9m to A$106.9m.

The annual dividend is being increased from 14 cents to 20 cents a share. A major beneficiary will be the group's 40 per cent shareholder, AFP Investments, which recently raided the British Gestetner group.

Linter became Australia's biggest textile company last July when it merged its National Textiles operations with Entrad in a vehicle known as Lintrad. Linter bought out Entrad for A$27.5m, with effect from April 1 this year.

Linter's growth has been one of the major factors in an extraordinary share run by AFP in recent months which has taken the company's capitalisation to around the A$1bn-mark. Mr Sellers personally controls about 25 per cent of AFP's capital.

Besides Linter and Gestetner, AFP's other assets include options over a 20 per cent interest in Elders IXL and a large stake in BDC Investments, the emerging electronic media empire of Mr Kerry Stokes, the Perth businessman.

Rising yen blamed for 52% decline at Citizen Watch

BY YOKO SHIBATA IN TOKYO

CITIZEN WATCH registered a pre-tax profit of Y5.02bn ($36m) in the year to March, down 52 per cent from the previous year. The sharp profit decline was due to the upsurge of the yen. Net profits were down 38.3 per cent to Y2.62bn, on turnover of Y163.29bn, up 5.9 per cent.

During the year wrist watch sales rose 16.6 per cent in volume but fell 10.3 per cent in value. Printers and other office equipment registered a 53.2 per cent gain to around Y24.2bn,

Citizens intends to maintain its annual dividend at Y7.5 a share.

For the current fiscal pear, pre-tax profits are projected at Y4.5bn on turnover of Y160bn. The company plans to maintain its annual dividend at Y7.5.

● Yokogawa Hokushin Electric, which makes industrial instruments, reports a 26 per cent fall in pre-tax profit to Y9.22bn in the year to March. The lacklustre performance was blamed on lower sales caused by the yen's appreciation and deterioration in the profit-to-sales ratio.

Overall sales dipped 1.9 per cent to Y158.25bn. Sales of industrial instruments, which account for over 70 per cent of the company's overall sales, gained 1.8 per cent to Y155bn. But sales of measuring instruments dipped by 1.1 per cent, information equipment 19.6 per cent and ship-use machinery 60.6 per cent.

Net profits jumped 88.6 per cent to Y13.997bn, helped by a special profit of Y13bn by selling plant and receiving special dividends from subsidiaries.

For the current year, pre-tax profits are projected at Y9.5bn, up 3 per cent with net profits of Y3.6bn, down 74 per cent, on sales of Y165bn, up 4 per cent.

AIBD BOND INDICES

WEEKLY EUROBOND GUIDE MAY 8 1987

	Redemption Yield	Change on Week %	12 Months High	12 Months Low
US Dollar	9.370	+0.871	9.619	8.440
Australian Dollar	14.219	−0.385	14.735	12.835
Canadian Dollar	10.304	+0.980	10.819	9.372
Euroguilder	6.200	2.041	6.250	5.804
Euro Currency Unit	8.464	−1.068	9.041	8.164
Yen	5.620	0.411	6.702	5.218
Sterling	9.519	−1.531	11.609	9.510
Deutschemark	5.954	0.235	6.652	5.954

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Peking unveils top profit earners

By Robert Thomson in Peking

IN AN exercise aimed at raising corporate consciousness, China has released comparative lists of its most profitable and most productive companies.

This is weighted towards heavy industry with the most profitable enterprises headquartered in the oil city of Daqing, which was a windswept wasteland in the far north until three decades ago. Three of the top five profitmakers are iron and steel corporations.

Of course, Chinese definitions of profit and company are different from those in the West. All of the companies listed are state-owned and hand back much of their earnings to the state. Some companies, including the most profitable, the Daqing Petroleum Administration, answer directly to ministries.

Anshan Iron and Steel Corporation, in charge of the country's largest steel plant near Shenyang, in the north, is the second biggest profitmaker, and like the fourth placeholder, Wuhan Iron and Steel Corporation, in central China, is badly in need of an overhaul, as much of its equipment is several decades old.

Third on the profit list, which does not reveal exactly how much the corporations earn, is Peking's Yanshan petro-chemical complex, while the Shanghai and Daqing petro-chemical complexes occupy seventh and ninth place respectively. The only exception to heavy industry in the top 20 is the Shanghai Cigarette Factory, which is 14th on the list.

Biggest producer

China's biggest producer is the company overseeing the Shengli oil field, in the coastal province of Shandong, which provides about 20 per cent of the country's annual crude oil output. The Daqing field supplies about 42 per cent, but the administration of the output is divided up into several companies, so the Daqing Petroleum Administration is credited with being the second largest producer.

The Anshan and Wuhan iron and steel corporations occupy the next two places, the Yanshan Petro-Chemical Corporation is fifth, and the Number Two Autoworks is in sixth spot. (The Number One Autoworks, which produces a limousine called a Red Flag, and Liberation Trucks is three places behind.)

The Number Two auto factory dominates Shiyan, sometimes called Motor City or China's Detroit, in the central province of Hubei, and produces the ubiquitous East Wind trucks for domestic consumption and Aeolus trucks for export to developing countries. If all goes according to the factory's plan, Aeolus vehicles will soon make a South Korean-like impact on the US market.

In all, China is said to have 360,000 factories, and the top 50 profitmakers contribute about 17 per cent of national income.

Goodman plans court action over bid ban

BY DAI HAYWARD IN WELLINGTON

GOODMAN FIELDER is to mount a High Court challenge against the New Zealand Commerce Commission's decision to reject its takeover bid for Wattie Industries, the food processing group.

Mr Pat Goodman, chairman of New Zealand's third largest company, met Prime Minister Mr David Lange yesterday afternoon to express his concern at the Commerce Commission decision.

Both Mr Goodman and Mr Cliff Lyon, managing director of Wattie, said they would force the Commission to defend its decision in the High Court.

Before going into a board meeting yesterday Mr Lyon said he found the decision "incredible." The company believed it had satisfied earlier concern expressed by the Commission on the extent of the alleged benefits which would flow from the merger.

Mr Goodman said he believed the proposed merger gave New Zealand and Australia an ideal opportunity to develop an international food group.

The high Court appeal will be the first challenge to a Commerce Commission decision since the introduction of the new Commerce Act last year. Under this, the commission is obliged to give the go-ahead for merger if the companies concerned do not create or strengthen a dominant market position.

If a proposed merged gives the new group a dominant role—as is the case with the Goodman-Wattie deal—the Commerce Commission must then decide if the public benefits outweigh any detrimental effects caused by its dominance in the market place.

In the case of the Goodman-Wattie move, the Commerce Commission decided a merger would give the combined companies tremendous dominance in a whole range of food processing areas. It also said Goodmans had not shown that benefits to the public and consumer would outweigh the disadvantage caused by this dominance.

In an effort to reduce the dominant role the merger would give, both companies had earlier agreed to shed part of their ice cream interest. The Wattie board was also prepared to divest itself of one or two other operations.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Currency protection in $100m SocGen deal

BY CLARE PEARSON

NOMURA International found one answer to the taxing problem of how to issue Eurodollar bonds while that sector is still in the doldrums with a novel deal yesterday, the redemption amount of which is based on the future exchanger ates of five different currencies.

The $100m five-year deal for Societe Generale, dubbed a "Rainbow bond," aims to attract investors worried about the value of the dollar. They are protected from individual exchange rate movements by the broad spread of currency risk. They pay for this protection by receiving a lower-than-usual 7.6 per cent coupon.

The redemption amount, in dollars, is based on a basket of spot foreign exchange rates five days before maturity. Each $10m bond is made up of £1.85m, C$3.91m, Y143.3m and A$1.39m.

Nomura was not quoting a level for the issue, priced at 101½, which appeared late in the day. It looked likely to be aimed at specific pockets of demand.

The first floating rate note issue emerged in the Australian dollar sector but did not trade. The lead-manager, Bank of Tokyo International, described the A$75m bond for State Bank of South Australia as targeted at particular Far Eastern investors with a need for investments providing a high current yield.

The seven-year issue, which incorporates annual put options set at par, pays interest during the first year at a rate of 65 basis points below theh rate for Australian three-month bank bills of exchange (BBR). Subsequently, it pays 45 basis points below that rate.

Elsewhere, Union Bank of Switzerland (Securities) demonstrated that it is still possible to lanuch a successful bond despite difficult mraket conditions when it doubled the size of a recent C$150m bond for Bell Canada Enterprises, the Canadian telecommunications and industrial holding company, to produce the largest Euro-Canadian dollar issue ever.

INTERNATIONAL BONDS

The lead-manager said BCE had been thinking of doing a C$150m deal in the Canadian domestic market but, seeing how well the bond was going, UBS had put in a bid on behalf of the syndicate to build these funds into the existing Eurobond.

The second half of the issue is priced at 101¾, ¼ point above the original issue, but the terms are otherwise identical. It was priced at a small discount to the trading level of the first half in the secondary market.

The 10 per cent five-year C$300m bond was quoted at around 99¾ bid.

Pricing of Credit Suisse First Boston's recent bonds reflected mixed fortunes. A five-year deal with dobt warrants for News International was increased by £25m to £75m, and continued to trade within fees at less 1½ bid.

But the pricing of a $150m convertible for Aluminium Company of America was adjusted to make it more generous to investors, following a lacklustre market reception. The coupon was fixed at the upper end of the indicated range at 6¼ per cent and the conversion premium at 20 per cent, below the previous 23 per cent lower limit.

Prices of Eurodollar bonds eased yesterday by about ¼ point. In the D-mark market prices were steady in low turnover although the shorter maturity bonds were in fair demand.

In Switzerlandfi prices were maintained in continuing low volume. Swiss Bank Corporation led a SFr 105m 10-year deal for Enterprise Oil, of the UK, in the first non-sterling issue. The 5 per cent swap-related bond was priced at 99¾.

Banque Indesuez and Credit Commercial de France jointly led a FFr 600m five-year 9 per cent bond for Renfe, the Spanish staet railway company—the first French franc issue for a Spanish borrower.

Istituto Bancario San Paolo di Torino led a L100bn eight-year 10 per cent bond for Eurofima, priced at 101.

Four foreign brokers for NTT launch

BY YOKO SHIBATA IN TOKYO

NIPPON Telephone and Telegraph, the Japanese telecommunications company which was recently partly denationalised, has decided to invite four foreign brokerage houses to join the underwriting consortium for its domestic corporate bonds.

NTT has chosen Salomon Brothers, Merrill Lynch, Goldman Sachs and S. G. Warburg. The four have been granted a 4 per cent share of the underwriting of NTT's Y100bn issue of straight bonds—the largest amount ever underwritten by the group for foreign brokers.

The move is seen as a response to US and European government requests to expand the foreign brokerage houses' underwriting share in domestic corporate bonds.

At the end of this month, NTT will launch the issue of straight bonds under the so-called "proposal system". Under this system, being used for the first time in Japan, NTT has selected Nomura Securities as lead manager on the basis of the terms it proposed for the issue.

NTT and Nomura together chose the four foreign houses, on the strength of their record in bond dealing, government bond underwriting and underwriting of NTT's own overseas bond issues.

The 11-year bonds, to be redeemed in a lump sum at maturity, are expected to open for subscriptions next Monday, with the payment date set for May 22.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on May 13

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.16
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Chugoku Electric 5 93	15	101¼	101¾	[illegible]	[illegible]	4.70
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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Row breaks over £75m convertible for P & O

By Our Euromarkets Staff

P&O, THE shipping, property development and construction group, yesterday launched a £75m convertible Eurobond, its debut in the market and the first equity-linked issue for a British company since UK institutional shareholders stepped up their opposition to such deals.

The issue was immediately criticised by the Association of British Insurers, the grouping of insurance companies which has been seeking to enforce shareholders' "pre-emption" rights—the right of first refusal on new shares.

The association said the premium to which the bond's price quickly moved in the market demonstrated its argument that such issues dilute the value of existing holdings. The premium, it said, illustrated the market's recognition that the bonds were being offered cheaply, and showed that there was a transfer of capital value from existing shareholders to buyers of the bonds.

Warburg Securities, as lead manager, rejected these claims. It said the 15-year, 4¾ per cent bonds initially traded at par when they were launched after an early rise in the UK stock market yesterday. The bond price then rose to just over 103 as P&O's share price rose to close at 647p, a 17p gain on the day.

The conversion price was fixed in advance at 750p—rather than the normal practice of keeping the issue terms open— partly because P&O had previously made an issue of warrants to existing shaerholders at this price. The price represented a relatively high 19 per cent premium above Tuesday's close.

The P&O issue fell within the new, tighter guidelines issued by the insurers' association last month for such issues. It said it would not countenance issues which would lead to expansion of a company's equity by more than 2½ per cent, more than halving the scope for international share and convertible bond issues by UK companies.

Sir Jeffrey Sterling, P&O chairman, said the company had been contemplating a range of £75m to £100m for its issue. "But £75m suits us and it happens to suit the guidelines too."

The bond has a seven-year put option which provides a yield of 8¾ per cent—a controversial feature because some issues with put options have traded at high premiums.

Sir Jeffrey said the proceeds would be used for refinancing the company's properay portfolio in the US and UK.

See Lex

Privatbanken equity issue to raise DKr 368m

By Our Banking Editor

PRIVATBANKEN, one of Denmark's leading banks, yesterday launched a Euro-equity issue designed to raise about DKr 368m ($55m) of new capital from international investors.

Mr Bent Pedersen, the managing director, said the issue was prompted partly by Privatbanken's growing presence in the international marketplace and partly by the saturation of the banking sector of the Danish stock market which had made it difficult to raise new equity there. Privatbanken has 80,000 shareholders, of whom 10 per cent are outside Denmark.

Privatbanken claims to be the most international of the Danish banks. It has helped develop the Euro-Danish krone bond market, and it is also one of the largest dealers on the domestic securities market. The issue comes in the run-up to Denmark's "big bang" next year, when the traditional monopoly enjoyed by brokers will be ended.

Last year, Privatbanken made a net profit of DKr 61m, down from DKr 510m the year before. The sharp fall was accounted for by DKr 778m of losses on securities holdings, which, under Danish accounting standards, have to be written down to market value. Excluding such gains and losses, Privtabanken's 1936 profits were DKr 619f, up from DKr 383m in 1985.

The issue of 1.5m shares, equivalent to 13 per cent of the equity, will be priced on the basis of Privatbanken's quotation on the Copenhagen Stock Exchange when the issue closes next week. Yesterday, the shares were being quoted at DKr 277.

Mr Robert Taylor of Morxan Stanley, which is leading the issue, said that demand had been strong and he expected the issue to be oversubscribed. He also expected to sell some of the shares in the US through a private placement.

Investors stay loyal to A$ bonds

BY CLARE PEARSON

EVEN ON the bleakest of days in the Eurobond market this year, when most other currency sectors have been closed to new issues, prodigious quantities of new bonds have been appearing in the Australian dollar market.

Sor far in 1987 more than A$7bn worth of new issues have emerged, already outstripping the total for the whole of 1986 by A$1.7bn. Although indigestion has occasionally occurred, most of these bonds have been readily absorbed by investors.

The transformation is striking because only this time last year, after a sharp fall in the Australian dollar, investors were shuddering over their losses and sending angry letters to their bankers demanding to know why they had been encouraged into this ill-starred market.

But investors perhaps have short memories when it comes to bonds with double-digit coupons and in any case they have seen the sector as a classic "recovery story" buy.

They have taken their cue from the foreign exchange market which has been happy to place faith in the Labor Government's ability to restructure the economy, despite the Herculean scale of the task given Australia's huge budget deficit, sluggish export performances and inflation still close to double figures.

Borrowers have been keen to oblige investors with a flood of new issues, since they have been able to swap Australian dollars for attractive funding in other currencies. The growth in this sector is an example of the increasingly swap-driven nature of the Eurobond market since very few of the issuers have a natural demand for Australian dollars.

Just at the moment, some dealers say the market may have temporarily run out of steam.

Yesterday's pre-budget expenditure statement by Mr Paul Keating, the Australian Treasurer, for the fiscal year 1987-88, which far exceeded expectations by cutting A$4.05bn off the prospective budget deficit, may prove an opportunity to take profits for investors who have had a tremendous run out of a strengthening currency and falling Australian interest rates.

On the other hand, Mr Keating's statement has underlined the point that, these days, the Australian market should be taken seriously. Growing realisation of this — combined with the parlous state of most other sectors of the markets — has transformed the Australian dollar Eurobond market over the last few months.

As one syndicate manager put it: "What we have been looking at is the metamorphosis of a small retail market into a fully-fledged professional market."

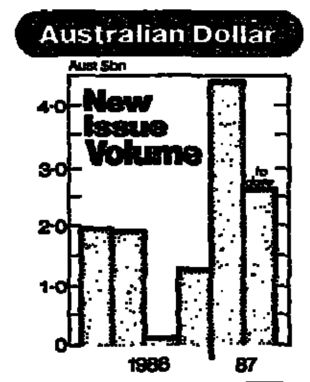
For the Eurobond market, this has meant that houses active in Australian dollar new issues have acquired a much higher profile, while many houses that used to concentrate on the Eurodollar sector have been scrambling to get in on the action. Meanwhile, dealers have had to be redeployed from other markets to cope with the explosion in secondary market turnover.

Volumes have been boosted by the appearance of new institutional buyers from the Far East, the US, and Europe to swell the ranks of the traditional German and Belgian retail buyers.

This has had implications for the price performance of the bonds. In the days when they used to be tucked away in retail accounts, price changes were slow. Now they respond more quickly to movements in the currency and the Australian domestic bond market.

The participation of institutional investors allows issues to be placed much more rapidly, fuelling the growth in new issues, but at the same time making placement much less firm than it used to be.

A wider variety of borrowers have been able to top the market as it has expanded. The West German financial institutions beloved of the traditional retail investors have been joined by high quality borrowers with a more international appeal, such as General Electric Credit and the World Bank.



At the same time, issuers that have not been traditionally favoured by the Belgian and German investors, such as French banks, have also been able to borrow in the market.

There has also been a diversification in the types of bonds on offer for instance, bonds with maturities of over five years have been appearing. These used to be thought unsuitable in this market; retail investors are not attracted to them because they provide a lower coupon than a shorter-dated bond, reflecting the downward slope of the Australian bond yield curve.

Professional investors, on the other hand, have liked the longer maturity bonds, taking the view that domestic interest rates are coming down. Once this happens, a longer-dated bond offers a greater opportunity for capital gain.

Other innovations have included the first conventional floating rate note in Australian dolars, issued yesterday, and bonds with refixable coupons that give the investor a play on the yield curve.

Bankers, however, see a number of constraints, aside from a shift in sentiment towards the Australian economy, which could slow growth after this period of rapid expansion.

The first is that issues are getting harder to arrange because swap counterparties in Australia are increasingly thin on the ground as the view spreads that interest rates are coming down further. Potential counterparties are preferring to wait to lock into funds.

A second constraint is the sharp decline in coupon levels already noticeable in the market. With the precipitous decline in domestic rates, issues have been coming on ever tighter terms: the days when investors could obtain a 15 per cent coupon are now long gone, and coupons are around 14 per cent on shorter-dated bonds.

These two factors add up to pressure for more aggressive issuing terms, which is enhanced by increased competition among Eurobond houses as more and more go in search of Australian dollar mandates. A string of unrealistically priced bonds could destabilise the market — a development so reminiscent of the healthier days of the Eurodollar sector that it would perhaps conclude the Australian dollar markets' coming of age.

Brazil arranges first debt for equity swap

BY DAVID LASCELLES, BANKING CORRESPONDENT

TWO BANKS, the Bank of Scotland and Northwest Minneapolis, have concluded a $25m debt-equity swap with the International Finance Corporation, a subsidiary of the World Bank, over assets in Brazil.

The banks are exchanging Brazilian loans for the IFC's 28.7 per cent stake in Papel e Celulose Catarinense, a leading Brazilian paper and pulp company. The banks will divide the stake equally.

The IFC initially became a shareholder in PCC when it helped start up the company in 1966. Since then its investment has been enlarged as it has supplied more capital. Now that PCC is operating profitably, however, the IFC is obliged by its charter to dispose of its investment.

The swap was arranged jointly by Morgan Grenfell, the UK merchant bank, and Banco Bozano Simonsen de Investimento, the Brazilian investment bank. Negotiations lasted seven months.

Mr Richard Halcrow, the Morgan director who handled the deal, said he believed it was the first time the IFC had called in outside advisers to arrange a disposal. It was also one of the few debt-equity swaps concluded by Brazil, which does not have formal arrangements for such deals like Argentina and Mexico.

Mr Halcrow said the banks would obtain a yield of about 4-5 per cent on their investment, which would be paid in dollars rather than in Brazilian cruzados. Further deals may be in thet pipeline, he said.

Mr Peter Burt, he general manager of the Bank of Scotland's international business, said yesterday: "This deal enables us to make a worthwhile reduction in our loan exposure to Brazil." His bank was considering further deals.

UK COMPANY NEWS

TransAtlantic fails to win seats on Sun Life board

BY ERIC SHORT IN LONDON AND JIM JONES IN JOHANNESBURG

TransAtlantic Insurance Holdings, an associate company in Liberty Life of South Africa, has failed in its attempts to obtain representation on the board of Sun Life Assurance Society, although it is the largest shareholder with 25.73 per cent of the equity.

However, Mr Donald Gordon, Liberty Life's chairman and chief executive and chairman of TransAtlantic, said Mr Peter Grant, Sun Life's chairman, had won a pyrrhic victory. "The fight has cost Sun Life a lot of money and we remain in the same position as we were before the fight began," he said.

He warned the Sun Life board that in any future dispute TransAtlantic would ensure it could muster a majority of the votes."

Liberty Life, though TransAtlantic, has been the largest shareholder in Sun Life for several years. However, all attempts by Mr Gordon to secure some form of co-operation between the two groups have been rebuffed by Sun Life.

Indeed, Mr Grant has consistently said that co-operation on Mr Gordon's terms were tantamount to control of Sun Life by the back door.

Liberty Life tried to break this impasse by proposing three TransAtlantic executives for the board, including Mr Mike Middlemas, its chief executive.

The Sun Life board's reaction was one of total opposition. It has spent more than £500,000 in a publicity campaign to shareholders attacking the move in highly personalised terms.

The showdown came yesterday at the Annual General Meeting held at the Goldsmiths Hall in London, where the meeting centred on a dialogue between Mr Grant and Mr Middlemas, Mr Gordon having his own agm in Johannesburg.

Mr Middlemas attacked Sun Life's new business performance, claiming it fell below the industry average and accusing the board of giving misleading figures to shareholders. He said the election of himself and two colleagues would be beneficial for Sun Life by broadening the expertise of the board.

Finally, he said he deplored the personalised attack on the nominations, claiming the whole business was not good for Sun Life, its shareholders, its policyholders or its staff.

Mr Grant said the nominations were simply another ploy in the attempts by Mr Gordon to get control of Sun Life by the back door.

Shareholders rejected the nominations in a poll vote by 2:1 of votes cast with hardly anyone supporting TransAtlantic. But TransAtlantic made it clear that it would not give up and claimed that it would be in everyone's interests to resolve the impasse. Mr Middlemas said that a merger between Sun Life and TransAtlantic could do nothing but good for everyone.

Mr Gordon attacked the posy system in the UK, whereby no information was available on the way proxy votes had been cast. He claimed that institutions had indicated that they had supported Sun Life on this occasion solely on the understanding that the differences were resolved.

Mr Grant agreed that the impasse had to be resolved and that he would again be seeking ways of doing this. But he was less adamant that he would not consider any move that gave control to TransAtlantic.

He claimed the vote as a total victory for the board and that the future development of Sun Life could continue to be planned in the interests of all shareholders.

Racal-Chubb buys National Foam

Racal-Chubb, the security subsidiary of Racal Electronics, has agreed to buy National Foam Systems, a subsidiary of the Enterra Corporation, for $16m (£9.5m).

National Foam, which is based near Philadelphia in the US, manufactures foam nozzles, monitors and other fire-fighting products. Racal-Chubb, which was formed when Racal bought the old Chubb lock-making company in 1984, already has existing fire technology in the UK, but National Foam would represent its first move into the US market.

CENTRAL & SHEERWOOD announced that contracts had been exchanged for the sale by its subsidiary, Newton Chambers, of that company's freehold interest in the 450-acre Thorncliffe Estate, near Chapeltown, South Yorkshire to Humberside Commercial Properties, a Beverley-based property company, for £2.3m cash. The proceeds will be used by C&S to reduce bank borrowings.

BROAD STREET GROUP has agreed, in principal, to acquire Raymond Rudd Training, a company formed to acquire the presentational training business carried on by Raymond Rudd. Completion is expected within four weeks. The purchase price comprises an initial payment of £180,000, with four subsequent annual payments based on future profits up to and including those for the year ending April 30 1992.

BIRMID QUALCAST has completed planned divestment of its UK engineering companies via disposal of Plastic Engineers, subsidiary to a management consortium, backed by Investors in Industry. Birmid has also sold its loss-making kitchen furniture manufacturing business to Cardmore. Disposals will realise initially a total cash consideration of some £1m.

PETER BLACK Holdings has acquired Hornsea, a wholly-owned subsidiary of Alexon involved in the manufacture and marketing of pottery, for £1.2m in cash.

Sunleigh Electronics, the electronics holding company which increased its contested offer for generating sets manufacturer, Dale Electric, on Friday, has announced acceptances in respect of just 0.31 per cent of Dale's shares by the first close—also Friday. Sunleigh itself holds 8.34 per cent of Dale's shares.

Christopher Parkes on Reed International's planned divestment

Scene set for some paint stripping

REED INTERNATIONAL yesterday gave up the race to jon the premier division in the global paintmakers' league.

It has bid valiantly for promotion in the past five years, acquiring substantial overseas interests to add weight to its Crown Paints business in the UK and build on the North American base it established in the 1960s with the purchase of General Paint of Canada.

However, at the same time, the international heavyweights were also in the market, scooping up prime targets weakened by recession and rising raw material prices.

The result is a Top 10 made up of US, British, Dutch, West German and Japanese companies, and dominated by Imperial Chemical Industries.

Against ICI's annual sales of 720m litres, the 60m litres sold by Reed's Crown Paints seems modest indeed.

But it is attractive enough to rouse considerable interest among the manufacturers seeking to erode ICI's lead in the global paint business.

With its strong Crown and Polycell brands in Britain, Frazee, General and Parker names in the western US and Canada, and promising interests in Europe, Reed's paint and DIY division will be almost certain to attract hihghly competitive offers from all the leaders.

All except ICI. While it may be interested, a bid to add Crown's 17 per cent share of the British market to its existing 34 per cent slice would land it in monopolies trouble.

Reed wants to sell the division quickly as a job lot and avoid the complications of disentangling various bits and pieces for sale to a selection of bidders.

Mr Peter Davis, group chief executive, said yesterday that he hoped to make "a further announcement" towards the end of June.

First in line is a management buy-out team, headed by Mr Peter Burns, chief executive of Reed's paint and DIY group, and backed by Charterhouse Development Capital.

Mr Paul Lever, a consortium member, and currently managing director of Crown Paints, is in no doubt about the likely strength o fthe counter-bidders in the auction—or the competition the management will face should it succeed.

However, he said, emphasising the nimblesness of a medium-sized independent company: "A good welterweight always has a chance against a heavyweight."

Paul Lever (left) and Peter Burns, management men with eyes on the Crown

Crown had a chance to flex its muscles in 1985, when it bid for Blundell-Permoglaze, losing out to Akzo of the Netherlands, which a year later went on to pick up Blue Circle Sandtex, another significant force in the UK.

Akzo is currently sixth in the world league, with volume sales of some 270m litres.

To add to that disappointment, Reed has fared relatively poorly at home. Coming from behind ICI with the introduction of solid, spatter-free paints and having to spend heavily to counter the promotional advantages of the Dulux dog, Crown has sen its market share eroded.

The situation was eased last year by a price rise which stuck, for once, improved efficiencies and a 4 per cent surge in paint market sales.

After much hesitation, Crown has also recently entered the own-label business, picking up worthwhile contracts from Sainsbury's Homebase (Mr Davis's old company), the Asda supermarket chain, and the Texas and RMC do-it-yourself retailers.

According to Mr Lever, Crown's 10m-litre annual sales overseas make it Britain's leading paint exporter, and have given it brand leadership in the Middle East as well as helping it develop a reputation in Europe.

Polycell's filler, paste and painting aids business has been under pressure from the bulk-buying, margin-squeezing tactics of the multiple retailers and the proliferation of own-label products. But diversification into DIY security and double glazing has proved that the name can be transferred to other products.

However, the North American business is the greatest attraction in the package on offer. According to Ms Bronwen Maddox, analyst at Grieveson Grant, Mr Davis will find it difficult to sell the business in one piece to any bidder apart from the management team or without its being split after sale.

"The skeleton is there, if anyone wants to build on it," she said, estimating that the US and Canadian businesses accounted for more than half the division's profit last year.

Reed had been looking for further growth in the US, and had high hopes of spreading away from the west coast. However, ICI's swoop last August on Glidden, the Hanson Industries subsidiary, which gave it 283m litres extra volume sales, was a grave setback.

Already suffering in the home market, Reed was in no mood to tackle its greatest adversary on the other side of the Atlantic as well. It was only a matter of time before yesterday's sale announcement was made.

Crown was declining, Polycell was making marginal profits and the European interests in West Germany and the Netherlands were under-developed, Ms Maddox said.

According to Mr Lever, the Frazee and Parker businesses in the US have market leadership in Arizona and around San Diego. According to Ms Maddox, these companies, along with General Paint in Vancouver, offer precisely the type of niche and regional power which the big leaguers have made their speciality.

For this reason alone, she says, the offer for sale will attract "loads" of bidders.

The wording of Reed's news release yesterday, which said its advisers Kleinwort Benson would be contacting "a number of other potential purchasers who have expressed an interest," suggested to her that the parent was not bowled over by the consortium's approach.

The management's financing package may be in place and there may be certain advantages in selling to a group keen to maintain the integrity of the division, but the "bit more" which Mr Lever said he had in reserve might prove to be a lot less than he needs to out-punch the heavyweights.

Guinness shares placed

By Clive Wolman

James Capel, the stockbrokers, yesterday placed 43.4m convertible preference shares in Guinness at a price of 107.5p per share.

The shares were held by Greatbrand Limited, a company set up by Guinness and its merchant bank adviser, Morgan Grenfell, in April 1986 to buy shares in Distillers which were held by institutions that assented to the £2.5bn takeover bid for Distillers by Guinness.

The transactions involving Greatbrand were disclosed in accordance with the Companies Act.

CHURCH & CO: AGM told that retail trading had been excellent in UK, Canada and the US. Factory orders were satisfactory, but half year results may be affected by exchange rates if weakness of dollar continued.

Chas. Barker warns on interim profit rise

BY SIMON HOLBERTON

Charles Barker, the public relations and advertising group, said yesterday it did not expect interim profits this year to show a marked improvement, although prospects for the year remained encouraging.

The company made this profit forecast when it announced it had paid the former shareholders of Norman Broadbent International (NBI), a second tranche of £12.15m following its acquisition of NBI last May.

"A significant contribution is expected from NBI, but the total performance (of Charles Barker) will be affected by a shortfall in client expenditure and the costs of relocating several companies to new premises," the company said.

It added that prospects for the year remained encouraging, reflecting the traditional seasonal increase in operating income in the second half. In the first half of 1986 the company earned pre-tax profits of £1.56m, and during the second half profits of the year of £1.87m.

Charles Barker raised the second tranche funds through the issue of 1.6m shares, of which 1.4m were taken up by institutions and the remainder by NBI's former owners, at a price of 133p a share. These shares were issued at a discount of around 10p on the prevailing market yesterday which closed at 143p, down 2p on the day.

In May last year, the company paid NBI's owner £3.1m in cash and shares. In May next year a third tranche, calculated on this year's profits, will complete the purchase.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
Anglio Irish Bank ...int	‖0.96	—	0.96	—	3.2
CFS	‡2.2	July 2	1.5	3	2.2
External Invest Tst ...	10.5	—	8.5	18	14.5
Gieves GP	2.5	—	2.3	3.7	3.3
Henderson Group	5	July 13	4.5	7.5	7
Land Securities	7.75	—	6.9	11	9.8
London Trust	0.75	Aug 7	0.75	0.75	0.75
Ratners	3	—	0.75	4¶	3
Style	5	Oct 2	4.5	5	4.5
Whessoe ....int	nil	—	2.5	—	5.5

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. §Unquoted stock. ¶ For 43 weeks to January 31 1987. ‖ Irish currency.

UK COMPANY NEWS

A Fisher £81.7m rights to fund further expansion

Albert Fisher Group yesterday launched an £81.7m rights issue with which to fund the next stage of rapid expansion of its food, distribution and service activities.

The stock market swallowed news ofthe one-for-three issue with ease. Fisher shares lost only 4½p to 169½p, compared witht he rights price of 154p.

Proceds of the cash call will put Fisher in the position to make an acquisition for as much as £150m, Mr Stephen Barker, finance director, said yesterday.

There is no indication, however, that the group plans to spend all its money in one place. Its single largest acquisition to date was the £38m purchase, from Guinness, of three food processors formerly owned by Distillers.

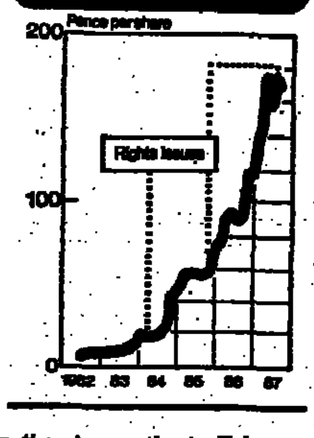
Fisher intends to continue its strategy of consolidating its position in the fragmented food service markets on both sides of the Atlantic. It is the largest single distributor of fresh produce in fast-growing Florida, and hopes to develop the same pattern in California.

"It's difficult to predict exactly whether the next acquisition will be in the US or in the UK," said Mr Tony Millar, executive chairman.

Fisher has aimed, in recent years, to maintain roughly a 50-50 split between earnings from the two countries. The US contribution had risen to £4m of the £7m pre-tax profit in the six months to February, but this included only four months from the Distillers' companies.

After the rights issue, the its share premium acount by group also proposes to reduce £70m through the creation of a special capital reserve, against which goodwill arising on acquisitions can be written off. It did the same with £15m last year.

Albert Fisher



● comment

Only one small, dollar-shaped cloud looms on Fisher's sunny horizon. Assets and borrowings are carefully balanced, but further deterioration against sterling could not help but take just a little of the gloss off its stunning US growth. The fan club assumes, of course, that the underlying performance will turn out even better than expected (as it usually has) and off-set the currency factor. Certainly, Fisher's approach to the market appears to be as astute at its management record. Although the rights issue closes before the election, the timing appears to be coincidental rather than opportunistic hedging against an upset. But with pre-emptive rights on the City agenda, shareholders may feel flattered by cash call now rather than clawback later. Having outperformed the market by five times over the same number of years, with acquisitions enhancing rather than diluting earnings along the way, Fisher's record supports the p/e of 22 based on £18m pre-tax in the current year.

BICC—Chairman told annual meeting that current year had started well. BICC Cables was seeing benefits from improved market conditions and substantial rationalisation and restructuring, while Balfour Beatty order book at all-time high. Overseas companies started the year well.

In the annual report the chairman described the extensive programme to restructure and reduce cost boas of the company based on experience of the year to date, he is confident that 1987 will show the benefit from this work.

BMP to buy US agency for £19m

By Feona McEwan

Boase Massimi Pollitt, the UK advertising agency, is to buy the New York advertising agency Ammirati & Puris for an initial US$31.8m (£19.1m). Up to five further deferred payments may be made dependent on A&P profits over the next four years.

The acquisition follows months of search and discussion in the US and gives BMP a much-needed international dimension. A&P marks the next step in BMP's plans to build a decentralised federation of marketing services companies, each operating autonomously.

To finance the initial cash payment of $25.5m (£15.3m) and the acquisition expenses, BMP will issue 4.95m new ordinary shares, available to qualifying shareholders at 340p per share. The remainder of the initial consideration, $6.3m (£3.8m), will be satisfied by the issue to Ralph Ammirati, Martin Puris and Edward Vick, A & P's three largest shareholders, of 1.08m new ordinary shares.

According to Adweek, the US trade magazine, the award-winning agency, is rated 47th in the US, which puts it in the top 5 per cent.

Its best known work is for BMW.

A & P was founded in 1974, and had billings of about $140m (£83.95m) in 1986. Adjusted pre-tax profit had risen from $1.4m in 1982 to $5.4m last year. It currently employs about 230 people.

Two key employees of A & P will join the board of BMP, while Martin Boase and Christopher Powell, chairman and managing director of BMP respectively, will join the board of A & P.

BTR chief looks to overseas expansion

BY MARTIN DICKSON

BTR, the acquisitive industrial holding company, indicated yesterday that it was most unlikely to launch a mega-bid in the UK in the near future, and was more likely to make a number of smaller acquisitions, particularly in North America, the Far East and Australasia.

This follows the company's unsuccessful £1.2bn bid for Pilkington Brothers, the glassmaker, earlier this year.

Sir Owen Green, the chairman, announced at the AGM that BTR was ararnging a sponsored American Depositary Receipt facility for its shares in conjunction with Morgan Guaranty.

Its shares are already traded in the US through ADR facilities which have not been sponsored by the company.

He also stated that orders and sales for the opening months of 1987 were better than last year and profits too were showing a commensurate increase.

The company was also involved in several acquistiion situations, actual and potential, the most recent of which was its bid for Borg-Warner Australia.

Mr John Cahill, managing director, told the meeting that BTR had set itself a five-year goal of getting an equal balance of its businesses in Europe, North America and the East.

It was planning to make acquisitions in the US and Canada in areas contigous with its mainstream activities, while he thought there would be some "very spectacular growth in the Far East."

Speaking to reporters later, Mr Cahill said that the tide of opnion in Britain did not seem to be with contested mega-bids. It might be time for BTR to "stand away and let the dust settle."

Leda restructures

BY CLAY HARRIS

Leda Investment Trust shareholders are to consider restructuring proposals which would transform the trust into a highly geared vehicle specialising in smaller UK companies.

Under the plan, which the Leda board will put forward without a recommendation, Grahams Rintoul would take over as manager and give its name to the trust.

The trust would also seek £25m through a rights issue to holders of capital shares and then plans to restore gearing initially to at least 30 per cent, according to Mr Peter Rintoul, managing director of Grahams Rintoul and former chairman of Gartmore Investment Trust Management.

Under the plan, income shares would be converted into preferred shares, repayable at the end of next year at the par value of 20p, the same as under the existing structure. Dividends until then would be fixed at 8.4p for each of the two years.

Capital shares would be converted into ordinary shares. Cash alternatives of 35p for income shares and the higher of 251p or 99 per cent of formula asset value for capital shares would be underwritten by a subsidiary of American Express Bank.

AEB, which owns 38.4 per cent of income shares and 17 per cent of capital shares, is also underwriting the rights issue.

Capital shares added 8p to 275p, against formula asset value of about 300p. Income shares fell 1p to 35p.

L & G shows UK advance

In spite of bad weather losses in the UK household account, figures for Legal & General's first quarter were more than double the £8m for the equivalent period in 1986, Professor Robert Hall, chairman, told the company's AGM yesterday.

New annual premium business in life and pensions business was 38 per cent up and performance on the international front had been as encouraging as 1986.

Pittard wins 8-month bid battle for Garnar Booth

BY NIKKI TAIT

THE EIGHT-MONTH struggle for control of leather manufacturer, Garnar Booth, finally ended last night with Pittard—one of two rival bidders—passing the 50 per cent mark, though with some shares still subject to validation.

Pittard's advisers, Hill Samuel, announced that the company either owns or has received firm acceptances from holders of 48.98 per cent of Garnar's shares.

They say a further 100,000 shares are pledged to accept—though share certificates have not yet been received—and that they have bought an additional 35,000. This would take Pittard's control to 50.34 per cent and—subject to the validation of these nal shares—the offer will be declared unconditional.

However, in the course of the recent struggle, rival bidders Hillsdown Holdings has amassed a stake of over 39 per cent. If it now decides to accept the Pittard offer, this will still give it over 16 per cent of the combined group.

The battle for Garnar Booth started last September, when Strong and Fisher—another leather group—made a £20m hostile bid. This was referred to the Monopolies Commission and, mid-way through the inquiry, Strong withdrew.

Pittard subsequently came in with a recommended offer for Garnar, but a week before this was due to close, Strong sold its 16 4 per cent stake in Garnar to Hillsdown, who followed up with a rival bid.

When Hillsdown upped its terms, the Garnar board switched its allegiance. But Pittard responded by also increasing its own paper-only offer. With Pittard closing at 324p, down 2p yesterday, its offer finally valued Garnar at just under £30m.

B & A Film

As a result of a news agency error, the FT yesterday incorrectly reported that in 1986 British and American Film Holdings had a debit of £127,000 retained in a subsidiary. That figure should have referred to profits retained in subsidiaries.

Ultramar falls back to £36.3m

Ultramar, the independent oil company, saw pre-t/x profits slump by more than 25 per cent from a restated £48.5m to £36.3m on turnover down from £406.5m to £326.9m in the first quarter of 1987.

However, Mr Lloyd Bensen, chairman, said that assuming relatively stable crude oil prices he looked forward to the remainder of the year with confidence. This was in spite of seasonal factors which would reduce profits in the second and third quarters for eastern Canada, and the weak US and Canadian dollars which would also cut profits when converted into sterling.

He believed that oil prices would recover over the next few years, and that with its large and increasing reserves of crude oil and natural gas the company was well positioned to benefit from this upturn.

Cash flow from continuing operations increased from £39.5m to £41.6m.

Exploration and production produced a total of £7.9m (£22m) with Indonesia contributing £7.9m (£17m); UK (£2.4m); western Canada, £100,000 (£200,00); US, losses of £1.3m (£1.9m losses); ENSTAR operations, losses of £700,000 (£2.3m) profits); and other losses, £500,000 (400,000 losses).

Refining and marketing contributed a total of £21.2m (£12.6m) made up of: Eastern Canada, £21.4m (£13.7m); US west coast, £300,000 (£2m losses); and international trading losses of £500,000 (£900,000 profits).

Shipping activities incurred losses of £600,000 (£800,000), while other activities produced profits of £800,000 (£200,000). After net financing charges of £8.4m (£18.9m) and group administration costs of (£2.7m (£3m), the contribution to group profits amounted to £18.2m (£12.1m).

Mr Bensen said that when restated to reflect year-end 1986 exchange rates, net profits for the first three months amounted to £9.3m.

He said that the results reflected a fine performance by the eastern Canadian downstream operation. Integration of the gulf marketing and distribution network was going well and the company continued to achieve an excellent operating performance from the Quebec Refinery.

Upstream profits were still depressed compared with the first quarter of last year. However, the combination of the company's upstream and downstream operations—which the company had strategically sought to achieve—was now showing its value.

Ultramar sold its UK marketing operation in April for a total of £47.6m which would result in a net gain of more than £25m to be shown as an extraordinary item in the half-year figure. It also raised £40m through a convertible low-interest Eurosterling bond issue, the proceeds of which would be used to reduce interest charges by refinancing higher cost short and long-term borrowings.

Ultramar sold 213,800 (275,000) barrels of oil a day in the period; refined 103,500 (97,200) barrels; and produced 29,200 (31,000) barrels. Gas produced amounted to 412,900 (434,600) cubic feet per day.

Tax charges took £18.1m (£36.4m) and minorities accounted for £3.3m (£2.4m). Earnings per share rose from 3.6p to 5.6p.

● comment

Ultramar is clearly in better shape; operational cash flow at £41.6m was stronger than in any quarter for some time; capital spending was virtually quartered; the Eastern Canadian downstream operations came through strongly in their heating oil driven peak period; and Indonesia has recovered from its fourth-quarter blues. However, the £10¼m fall in financing charges and a drop in the tax rate made more difference than any other single item to the net profit line. On forecasts of £40m net (not including the £25m extraordinary gain from the sale of the UK marketing operation) the shares are on a prospective p/e of 17 — and are held up at this level by bid speculation centering on what Ron Brierley will do with his 13 per cent holding (acquired 18 months ago for an average of 165p). Ultramar's sterling net asset value was then two to three times the share price. So, when Mr Bensen and Mr Brierley lunched together yesterday at least one of the two must have been thinking that with Ultramar's net assets now valued at about £3 on an $18-a-barrel price, the upside potential seems far less obvious today.

Cowie severs links with Godfrey Davis

T. Cowie, the Sunderland-based car dealer and coach operator, has voted with its feet and sold its 4.9 per cent stake in Godfrey Davies, the Ford dealer and park operator, which plans to merge with the Sunlight Service Group.

Cowie sold its entire stake in Godfrey Davies—1.34m shares at 168p a share, which relaised a £465,000 profit on the sale.

Mr Tom Cowie, the company's chairman, said he was not particularly enchanted with the Sunlight deal, and decided to take a profit and move on to other opportunities.

Earlier this month, Godfrey Davis said that under the etrms of an agreed merger, it would offer 19 of its shares for every 10 Sunlight shares, in a merger that would create a £130m diversified services group and see Sunlight shareholders owning about 60 per cent

Stylo back to profit and lifts dividend

A return to profits was made by Stylo, multiple footwear retailer, in the year ended January 31 1987. At the pre-tax level it came to £1.53m, compared to a loss of £259,00. Earnings were 5.67p, against loss 2.05p, and the dividend raised from 4.5p to 5p net.

Mr Arnold Ziff, chairman, said a great deal of progress was made towards making the company more profitable. But management and staff have been distracted by the litigation being brought against Stylo and certain directors by a subsidiary of British Land, which owns some 25 per cent of the company's shares.

Turnover in 1986-87 rose to £53.34m (£49.58m) and trading profit came to £2.12m (£1.09m). Net interest charges were cut to £1.77m (£2m) and other income was up to £1.18m (£661,000).

The early part of the current year had been difficult, but Easter's trading figures improved greatly, particularly in refitted shops. The chairman looked forward with confidence to further improvements this year.

LandSec asset value surge surprises City

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

Land Securities, the largest UK property development and investment group, yesterday surprised the market with a sharp increase in the value of its net assets and pulled up behind it prices through the sector.

Its net asset value per share, the favoured measurement of progress for property investment companies, rose from 420p at the end of March 1986 to 488p. The highest expectation in the City had been 475p.

The share price rose to 470p before settling at 468p for a gain on the day of 16p.

The net asset value figure came with an announcement of a 6.8 per cent increase in pre-tax profits for the year to last March at £120.6m. Earnings per share rose from 15.79p to 17.78p.

The final dividend is 7.75p, bringing total payments for the year to 11p, compared with 9.8p in 1985-86.

Land Securities is now riding the boom of capital values in central London property, where it has morethan two-thirds of its portfolio. The latest valuation gives the portfolio a value of £3bn, an increase of £466.5m over a valuation carried out in March 1986.

At the same time, continued demand not only for office but also for retail property allowed rental income to continue its steady growth, rising from £152.6m to £175.8m for 1986-87.

But the group is expanding its development programme, with work starting in the next year on 1m square feet of London office space and 650,000 square feet of retail warehousing either under construction or about to start.

This is being financed by an extensive programme of long-term borrowing—£600m has been raised since November 1985—so that interest charges have more than doubled over the last financial year to £43.4m.

The group has warned that there is likely to be a loss of earnings because of this expansion, "in the case of existing holdings through loss of rent previously earned and as cash spent on acquisitions and construction ceases to earn interest."

The board intends to ask shareholders for an increase in borrowing limits, from £1bn to £2bn, and for the authority to buy its own shares, although it does the latter, it said, "without having any specific application in mind."

See Lex

E. Anglian Water pref. lender results

East Anglian Water's sale by tender of 2.5m 7 per cent redeemable preference £1 shares 1996/98 at a minimum price of £1 received applications for 6.1m shares. The highest price offered was 127p, the lowest price to receive a partial allotment was 102.51p and the average price obtained was 103.09p.

Ambrose Investment

NET ASSET value per income share of the Ambrose Investment Trust fell from 31.29p to 30.21p at year-end to March 31, while the value per capital share rose from 494.73p to 615.45p.

After tax of £308,964 (£315,414) net revenue was £756,286 (£708,532). Earnings per share were 10.5p (9.84p).

A final dividend of 8.03p (6.93p) makes 11.58p (9.75p) for the year.

Catalyst Comms.

On May 12 the FT incorrectly described Catalyst Communications as Catalyst, the Finnish company. In fact, Catalyst Communications is a British company, quoted on the Third market, which has made three acquisitions in the UK in recent months. We apologise for the error.

Ross plans USM quote for £10m valuation

By Alice Rawsthorn

Three months into his business studies degree course, Mr Ross Marks, walked out of a lecture on "How to set up in business" and into Companies House to register his new company for £1. Now, 15 years later, that company is preparing to go public on the Unlisted Securities Market.

Ross Consumer Electronics manufacturers and supplies audio accessories—such as headphones, microphones and microspeakers for personal stereos—both under its own brand name and as private label products for multiple retailers including Argos, Boots and Dixons.

In its earliest days, during Mr Marks' student years, the company supplied blank audio cassettes by mail order. In 1973 Mr Marks faced the choice of completing his degree or setting off on a buying trip to the Far East. He opted for the latter and Ross diversified into other audio accessories.

Initially all the company's products were sourced from contract suppliers in the Far East. Early in 1984 it introduced the first range manufactured by its own unit in West London. The company has since augmented the range of products produced in the UK, which now represent a quarter of sales, and has built up an overseas client base.

Both pre-tax profits and turnover have increased steadily in the past five years: with the exception of 1983/84 when the investment in the manufacturing plant and reationalisation of stock nudged the company into a loss. In the year to March 31 1986 Ross produced pre-tax profits of £308,000 on turnover of £3.5m. In the most recent financial year profits are expected to have increased to around £500,000 and turnover to £4m.

The company plans to go public is six weeks or so. After the flotation, in a placing through Smith New Court, it should be capitalised at under £10m with an historic p/e in the mid-teens.

Garfunkels up again

Talks about a possible bid for Garfunkels Restaurants lifted its shares another 19p to 253p. United Biscuits made clear, meanwhile, that it was not interested in buying the chain, which includes Garfunkel's, Deep Pan Pizza Company and Black Angus Steak House restaurants.

GRANVILLE

SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E
161	118	Ass. Brit. Ind. Ord.	158	—	7.3	4.6	9.7
163	121	Ass. Brit. Ind. CULS	163	—	10.0	6.1	—
40	28	Armitage and Rhodes	37	+1	4.2	11.4	5.2
80	64	BBB Design Group (USM)	76	—	1.4	1.8	18.1
229	166	Bardon Hill Group	229	—	4.6	2.0	26.0
147	55	Bray Technologies	147xd	—	4.7	3.2	11.8
138	75	CCL Group Ordinary	137	+1	2.9	2.1	9.7
107	86	CCL Group 11pc Conv. Pref.	102	—	15.7	15.4	—
138	58	Carborundum Ord.	138xdc	+1	5.4	3.9	12.0
94	90	Carborundum 7.5pc Pref.	94	—	10.7	11.4	—
126	76	George Blair	96	—	3.7	3.9	2.6
176	119	Isis Group	120	—	18.3	—	—
126	101	Jackson Group	126	—	6.1	4.9	8.6
377	280	James Burrough	372	—	17.0	4.6	10.4
100	89	James Burrough 9pc Pref.	94	—	12.9	13.7	—
1036	342	Multihouse NV (AmstSE)	600xd	−6	—	—	23.8
408	280	Record Ridgway Ordinary	408	—	1.4	—	8.2
100	83	Record Ridgway 10pc Pref.	86	—	14.1	16.4	—
91	67	Robert Jenkins	82	—	—	—	3.6
91	30	Scruttons	91	+1	—	—	—
168	67	Torday and Carlisle	158	—	5.7	3.6	9.6
340	321	Travian Holdings	330	—	7.9	2.4	6.9
91	42	Unilock Holdings (SE)	88	+1	2.8	3.2	16.2
146	65	Walter Alexander	143	−2	5 0	3.5	13.7
200	190	W. S. Yeates	190xd	—	17.4	9.2	19 0
118	67	West Yorks. Ind. Hosp. (USM)	110	—	5.6	5.1	15.7

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Ratners up 94% as H. Samuel benefits flow

BY PHILIP COGGAN

Ratners, the jewellery group currently involved in a contested takeover bid for Combined English Stores, yesterday announced pre-tax profits up 94 per cent, on an adjusted basis, for the 43 weeks ending January 31 1987.

Last month, Ratners launched a recommended offer for CES, but five days later Next, the fashion retail and mail order group, came in with a higher offer which won over the CES board. On last night's share prices, the bids were worth £295m and £339m respectively.

Ratners' primary interest in CES is the Zales, Weir and Collingwood jewellery chains, but Next has no existing retail jewellery interests and that has led some to speculate that it might sell the chains to its rival.

Mr Gerald Ratner, chairman and chief executive, said yesterday: "We have a range of options, one of which might be to work out a deal with George Davies" (Next's managing director).

However, Next indicated at the time it announced its bid that it was keen to hang on to CES' jewellery stores.

If Ratners did buy the CES chains, either by winning the bid or by doing a deal with Next, it would have a share of the jewellery market estimated at around 15-20 per cent, and there have been earlier calls for the bid to be referred to Monopolies Commission.

Yesterday's figures showed that Ratners has made an encouraging start in its effort to improve returns at H. Samuel, which was acquired in May. 1986. Profit per square foot has increased from £12 to £35, although that is still below the £66 achieved in the Ratners' chain. Sales per square foot were £268 at H. Samuel and £536 at Ratners, and overall the increases in turnover were 35 per cent and 45 per cent respectively.

Terry's has moved out of its traditional base in the South-east and plans to open a further 25 shops this year, with a further 50 shops planned to open in the Ratners chain.

Pre-tax profits for the 43 weeks were £22.54m, against the pro-forma £11.58m, on turnover of £158.2m (£114.6m).

Gerald Ratner, chairman and chief executive of Ratners Jewellers

There was an extraordinary debit of £474,000, largely resulting from compensation paid to Mr Anthony Edgar, ex-chairman of H. Samuel

Fully diluted earnings per share were 16.16p (8.13p) and the final dividend was set at 3p, making a total of 4p (3p).

● comment

These figures were signalled at the time of the CES bid so they received rather less trumpeting than they deserved—after all, 10 months ago analysts were only expecting £14m and H. Samuel seems almost literally to have been a goldmine. But all eyes are on the battle for CES. Gerald Ratner is probably unlucky to come up against one of the few retailers with a more whizzkid image than he has—whether George Davies and he can strike a deal may be more a matter of personal chemistry than industrial logic. The best option would seem to be for Ratners to buy at least part of the CES jewellery business—buying all of it might run into monopolies problems and a revised bid would dilute Ratners earnings. Ratners shares, 343p yesterday, will sit on the sidelines until the CES question is settled; on trading terms, assuming pre-tax profits of £40m this year, the prospective p/e is an undemanding 12.

Chloride's small stake in Dale Electric

By Nikki Tait

Chloride, the battery group, yesterday confirmed that it has acquired a small stake in generating sets manufacturer, Dale Electric, which is currently on the receving end of rently on the receiving end of Sunleigh.

However, Chloride says the stake is "well" under 1 per cent" and has been taken as a trade investment. "There is no more to it than that."

The two companies have known each other well for many years, and in the early seventies, before Dale went public, a Chloride offer was considered by the Yorkshire-based company.

There are currently trading links—Dale, for example, is the Chloride distributor for Thailand. Dale, itself, says it understands the Chloride interest is "friendly."

Chloride, meanwhile, yesterday put out a statement dismissing Press rumours that BICC, the cables group, "intends to offer around 120p" for the company.

Chloride said it had been assured by BICC that the speculation was totally without foundation. The two companies share a common director — Mr Robert Biggam, BICC's managing director, holds a non-executive post on Chloride's board.

Chloride has been subject to considerable bid speculation in the past, but earlier this year saw one rumoured predator, Heron International, reduce its stake below the disclosable level.

Last December, Mr Kent Price, an international banker, took over as chief executive, and since then considerable internal reorganisation has taken place.

Chloride shares closed down 1p to 105p.

GKN prospects

At the annual meeting of GKN it was stated that the trend of 1987 monthly pre-tax profits had been upwards and very much in line with internal projections.

That justified expectations that profit for the first half would exceed the £58m achieved in the second half of 1986.

In the first half of that year the group made £74.5m.

Henderson hit by security losses

MR PAT GAYNOR, chairman of the Henderson Group, yesterday revealed that profits for the 1986-87 year had fallen by £1.09m to £4.42m at the pre-tax level.

He added, however, that the current year had begun encouragingly and that he believed the group had now started on the road back to its former levels of growth and profitability.

Mr Gaynor pointed out that having established a sound future operating base, the group's forward strategy would be to seek growth from its traditional core base of building-related products and its revitalised security operation—the latter swung from profits of £1.4m to losses of £206,000 during the past year.

The chairman said this would be done via a balance sheet strengthened by the disposal of the Normand interests which would result in gearing falling from its year-end 34 per cent to some 18 per cent.

Turnover for the year to February 28 1987 rose from £80.53m to £86.91m—Henderson's main area of business is the production of doors both for garages and for industry. Operating profits declined from £5.78m to £4.79m.

Results were also given yesterday in pro-forma accounting to show the past year's trading figures as if all activities discounted during and after the period had not been owned by the group throughout the 12 months.

These showed turnover at £78.6m and profits before tax at £5.29m.

Tax accounted for £1.63m (£2.1m) and minorities for £158,000 (£20,000).

Provisions for losses arising from the closure and sale of subsidiaries during the year together with further sales and restrcturing completed or planned, less a release from the capital reserve, totalled £1.8m and were treated as an extraordinary item.

A breakdown of pre-tax profits by division shows PC Henderson (sliding door gear, garage doors and aluminium ladders) £4.06m (£2.4m), Henderson Doors (industrial and vehicle doors and partitions) £2.42m (£2.39m), security loss £206,000 (profit £1.4m), direct subsidiaries, including FHP, £64,000 (£535,000). Losses of discontinued activities accounted for £675,000 (£20,000 credit) and group central costs and net interest charges for £1.23m (£1.27m).

Earnings per 25p share emerged at 12.6p (15.4p) or 15.1p on a pro-forma basis and a final dividend of 5p lifts the 1986-87 total from 7p to 7.5p net.

Mr Angus Clark and Mr Tom Todd, executive directors, have been appointed co-managin directors.

● comment

Little has gone right for Henderson Group since its £9.3m all paper bid for R. Cartwright in early 1985 was beaten by a £12.2m offer from Newman Tonks. Subsequently Henderson's shares have performed poorly and the company has clearly battled (and lost) the effort to sustain the £6.6m 1984-85 pre-tax forecast made during the bid. The disposal of Normand Electrical, most of which is being sold for £3.2m. seems overdue. This subsidiary cost £4.9m in March 1982 and has produced £2.3m (including £1m from a 1984 property sale and the £464,000 loss of the FHP business which may soon be sold off separately) in the five years since. While the pro forma figures, that is ex Normand, lessen the apparent damage the real concern has to be the £1.6m swing into the red in the security division. The new double-headed management team has stepped up marketing and development spending but surely this should have been phased so as to prevent the fall into a loss? At 221p the shares are expensive and the two point premium to the sector can only be due to bid speculation—7.7 per cent is in the hands of a Turks & Caicos Islands "long term investor."

London Trust's assets up in transitional year

London Trust reported its net net asset value per share had risen from 85.6p to 87p in the year to March 31 1987. This occurred in a year which had seen a continued re-orientation of the portfolio and a fall of 8.3 per cent in the value of the dollar where more than 75 per cent of the Trust's assets were now invested.

The investment partnership between London Trust and Hambrecht and Quist, H & Q London Ventures had been highly successful. At March 31 1987 the partnership had investments in 40 companies with a total valuation of $83.2m (cost $58.6m). The stering equivalent at $1.60 was £51.8m (61 per cent of total assets).

The board felt that, to reflect more accurately the investment objective of growth of capital through venture capital investment in the US, shareholders' approval should be sought at the agm to change the name of the company to London American Ventures Trust.

A dividend of 0.75p would be recommended for the year to March 31 (same) but the directors said that as the trust becomes more fully invested, it was most unlikely that any dividend would be paid

Gross revenue in 1986-87 amounted to £3.34m (£5.5m); expenses accounted for £1.61m (£2.03m) and interest charges to £369,000 (£1.08m) leaving net revenue before tax of £1.36m (£2.39m). Tax took £563,000 (£958,000)

Wm Boulton outlines its capital reconstruction

DETAILS OF the capital reconstruction plan proposed by the William Boulton Group last October were released by the directors yesterday along with the results for the opening six months ofthe current year.

The reconstruction will take the form of an offer to existing shareholders to exchange their holdings for an equal number of shares in a new holding concern, the Cauldron roup.

They were proposing to implement the plan in order to eliminate the deficit on the profit and loss account reserve so that the group would be in a position to recommence dividend payments when future earnings permitted

During the six months to December 31 1986 turnover totalled £2m (£1.84m). At the pre-tax level the group swung from losses of £197,000 to profits of £37,000—the results were for the continuing operations only.

Interest charges were reduced to £134,000 (£314,000)

Earnings per 10p share were 0.1p against previous losses of 0.5p.

During the past two years certain former companies were sold to Winemanor Holdings on terms which included deferred payments up to and including 1990.

However, an agreement was reached earlier this month to accept a total consideration of £1.5m in full and final settlement of all matters.

All-round growth as Gieves rises 41%

ALL-ROUND growth helped Gieves Group report taxable profits up by 41 per cent for the year to the end of January 1987. And in the present year directors said they would be disappointed if, with full-year's figures from Bookpoint and Gieves & Hawkes International breaking even, earnings per share did not continue to increase.

Pre-tax profits rose from £1.01m to £1.42m on turnover up 17 per cent at £40.19m (£34.34m). Earnings per 20p share came out at 10.1p (8.9p) and the directors are proposing an increased final of 2.5p (2.3p), making a total of 3.7p (3.3p).

Directors said the merchandising and wholesaling subsidiary, Gieves & Hawkes International, had completed the final year of its development phase. The net costs of £223,000 (£236,000) were in line with the original plan and were taken above the line.

The contribution to operating profits of £183,000 by Bookpoint, the recently-acquired book distributor, was for only the second half of the year. Turnover continued to grow but profits were hit in late summer by a downturn of the home computer software business

A breakdown of operating profits for the other offshoots showed tailoring and outfitting ahead at £670,000 (£602,000); book and magazine manufacturing £605,000 (£570,000), publishing and library supplies £464,000 (£332,000); motor and petrol retailing £161,000 (£111,000).

The net interest charge was higher at £114,000 (£68,000). The tax charge was £442,000 (£205,000) and last time minorities took £15,000.

Whessoe into red at £5.36m

Whessoe, the troubled engineering company, has slipped into the red with half-time losses of £5.36m, compared with pre-tax profits last time of £1.37m.

Directors said the figures for the six months to March 28 reflected the shortage of work at adequate profit margins in the company's heavy engineering and high pressure pipework sub-groups in the UK.

The situation had been compounded by a large loss on a major offshore contract and the necessity to make provision for overruns in timing and costs on certain contracts which are the subject of claims still under negotiation.

Heavy engineering turned in a loss of £739,000 (£370,000 profit) and high pressure pipework a loss of £1.9m (£648,000 profit). Aiton Australia performed well and light engineering sustained its profits at £413,000 (£351,000).

Turnover fell from £47.83m to £40.02m and loss per share worked out at 19.8p, compared with earnings of 3.9p. No interim dividend will be paid.

There was an exceptional item of £3.13m (nil) for redundancy and restructuring costs, a tax credit of £1.79m (£668,000 charge) and depreciation of £1m (£947,000).

Net interest payments rose sharply from £41,000 to £344,000.

Lord Erroll of Hale will retire as chairman on May 27, 1987. He will be succeeded by Mr George Duncan.

Anglo Irish Bank

Anglo Irish Bank Corporation, formed by the merger of Anglo Irish Bank with City of Dublin Bank, lifted pre-tax profits from I£324,000 (£292,000) to I£569,000 in a period when the Irish economy was not in good order and interest rates were volatile.

It paid tax of £285,000 (£126,000) after which earnigs rose to 1.7p (1.58p). The declared interim is held at 0.9625p.

UK COMPANY NEWS

Offer terms put £27.5m valuation on Pickwick

BY RICHARD TOMKINS

Pickwick, the record, cassette and compact disc company being floated on the stock market, yesterday unveiled its plans for an offer for sale which will value the group at £27.42m.

N. M. Rothschild, the merchant bank, is to offer 6.76m shares at 125p each, with Hoare Govett as stockbroker to the issue. The prospectus will be published tomorrow.

Pickwick is best known for its low-price records and cassettes featuring popular classical works and the greatest hits of recording artists such as Elvis Presley, Johnny Mathis and Mantovani. More recently, however, it has diversified into other home entertainment products.

Large proportions of its turnover now come from its Tell-a-Tale range of children's book—and cassette packages, from the production of low-price compact discs, and from sales of pre-recorded video cassettes. It also licenses overseas companies to reproduce its recordings.

The company was founded in 1962 by Mr Monty Lewis, who at 66 remains non-executive chairman. He and his family are selling £4m worth of shares in the flotation, leaving them with 10 per cent of the equity.

Another £630,000 worth of shares are being sold by Mr Ivor Schlosberg, the chief executive. He led a consortium of institutional investors which bought 50 per cent of the company from Mr Lewis for £4.5m in 1986.

Pickwick was owned by the American Can Company from 1977 to 1982 and ended that period in heavy losses. In 1983 it came back into pre-tax profits of £452,000, and with its expansion into new product areas, these profits grew to £1.6m in 1986.

For the current year, the company is forecasting another jump to at least £2.6m, putting the shares on a prospective p/e multiple of 16.34.

CFS advances to £514,000

Comprerensive Financial Services boosted pre-tax profits by more than 57 per cent from £326,000 to £514,000 on turnover up from £1.55m to £2.02m in 1986.

CFS also revealed a link with Knight Frank and Rutley, UK and international estate agents, to provide a broad range of financial services for its customers.

The directors recommend a final payment of 2.2p (1.5p), making a total of 3p (2.2p) for the year.

Mr Oliver Sstanley, chief executive, said that CFS, trust and investment management departments expanded their client bases significantly in 1986.

CFS, which obtained a USM listing in 1984, paid tax of £160,000 (£117,000). Earnings per share worked through at 9.12p (5.45p).

BOARD MEETINGS

TODAY

Interims: Associated Energy Services, Associated Paper Industries, English China Clays, Grand Metropolitan, Royal Insurance, Saatchi and Saatchi.

Finals: British and Commonwealth Holdings, Corton Beach, Exco International, External Investment Trust, John Foster, Gerrard and National, Grampian Television, London Atlantic Investment Trust, Mellerware International, North Sea and General Investment, Thames TV, Whitbread Investment.

FUTURE DATES

Interims—	
Acatos and Hutcheson	May 20
Kelsey Industries	May 22
Moran Tea	May 19
Northern Indust. Improvement Trust	May 22
Ranks Hovis McDougall	May 20
Finals—	
British Airways	May 19
Channel Tunnel Investments	May 22
Coalite	June 2
Hambros Investment Trust	May 21
High Gosforth Park	May 21

† Amended.

USM debut values GC Flooring at £7.16m

By Alice Rawsthorn

GC Flooring & Furnishings, a fitter and supplier of contract floor coverings, yesterday announced that it is joining the Unlisted Securities Market in a placing of shares which will value its business at £7.16m. Half the money raised by the placing will be retained by the company.

The company was established in the late 1940s as a supplier and layer of wooden floors. In the 1960s it diversified into the carpets field and has since built up a business supplying carpets, hard floor coverings

Marks and Spencer is the largest single client—in the first half of the present financial year it provided two-thirds of turnover.

GC Flooring slipped into losses in 1981-82 — chiefly due to intensive price warfare — but has since recovered, increasing both pre-tax profits and turnover in each successive year to produce profits of £308,000 on turnover of £6.81m in the year to June 30, 1986. In the present year it expects to boost profits to £700,000.

In the placing, through Capel-Cure Myers, GC Flooring will issue 1.98m shares, or 21 per cent of its equity, at 76p each. At the placing price the company sports a prospective p/e of 14.

Merlin plans international expansion

Merlin International Properties, based in the Isle of Man but quoted on the London exchange, yesterday became the focus of a triangular deal aimed at creating a new international speciality shopping centre development and management company.

In a series of share and cash deals it is linking with two private property development groups in Australia and the US, respectively the Hayson Group and Enterprise Development Company.

It is also taking over Abbeygate, a private UK company founded and run by Mr Peter Jevans, who becomes Merlin's chief executive for the UK and Europe.

Citicorp Investment Bank and Scrimgeour Vickers are currently working on a placing with institutions of £36m worth of Merlin new ordinary and convertible preference shares in order to fund the corporate moves and provide working capital for Merlin's first UK ventures.

Merlin shares were suspended on Tuesday at 225p, after a 25p rise on the day, and trading in them will not resume until after the placing, expected next week.

The price, which is just under its 1986-87 peak, is currently overheated and Citicorp said the new shares would be offered at "a material discount."

With fresh funds available, Merlin will be able to move into the Australian and US property markets.

The plan announced yesterday provides for it to spend £9m—made up of £4.8m cash and the balance in shares—to take a 57.6 per cent interest in Hayson's "festival marketplace" development at Darling Harbour, and a 100 per cent interest in its mixed office and retail development at Pitt Street, both in Sydney.

Merlin also takes over the Hayson interests in tenders for new developments at Manly Wharf, Sydney and in Brisbane.

Also, in this part of the deal, the Hayson Group shareholding in Merlin will be raised from 26.9 per cent to 29.9 per cent.

As far as the US is concerned, Merlin will subscribe to EDC preference shares with an option to convert them into equity equivalent to 33.3 per cent of Enterprise's share capital. This will cost £6m cash and £1m in Merlin convertible preference shares. Merlin and EDC will sign a development co-operation agreement.

Abbeygate, the Jevans company in the UK, will be absorbed by the issue of Merlin ordinary shares valued at £2.5m.

The common thread in the moves is the phrase "festival marketplace," devised by Mr James Rouse, the chairman of EDC and the man behind the regeneration of the Baltimore waterfront in the US.

It is officially described as "a type of development which combines speciality retail outlets and restaurant and fast food facilities." Covent Garden in London is an example. Mr Jevans said: "It is all about the question—can you create an atmosphere where people want to be."

The Rouse technique of development is being used by Hayson at its Darling Harbour development and Merlin wants to use it in the UK.

Once the financial links between Merlin, Hayson, EDC and Abbeygate have been forged, Merlin expects it will have around £18m to start in the UK.

Some 20 projects were being examined, he added, and negotiations were advanced in three cases. Merlin expected to announce its first two developments in three months.

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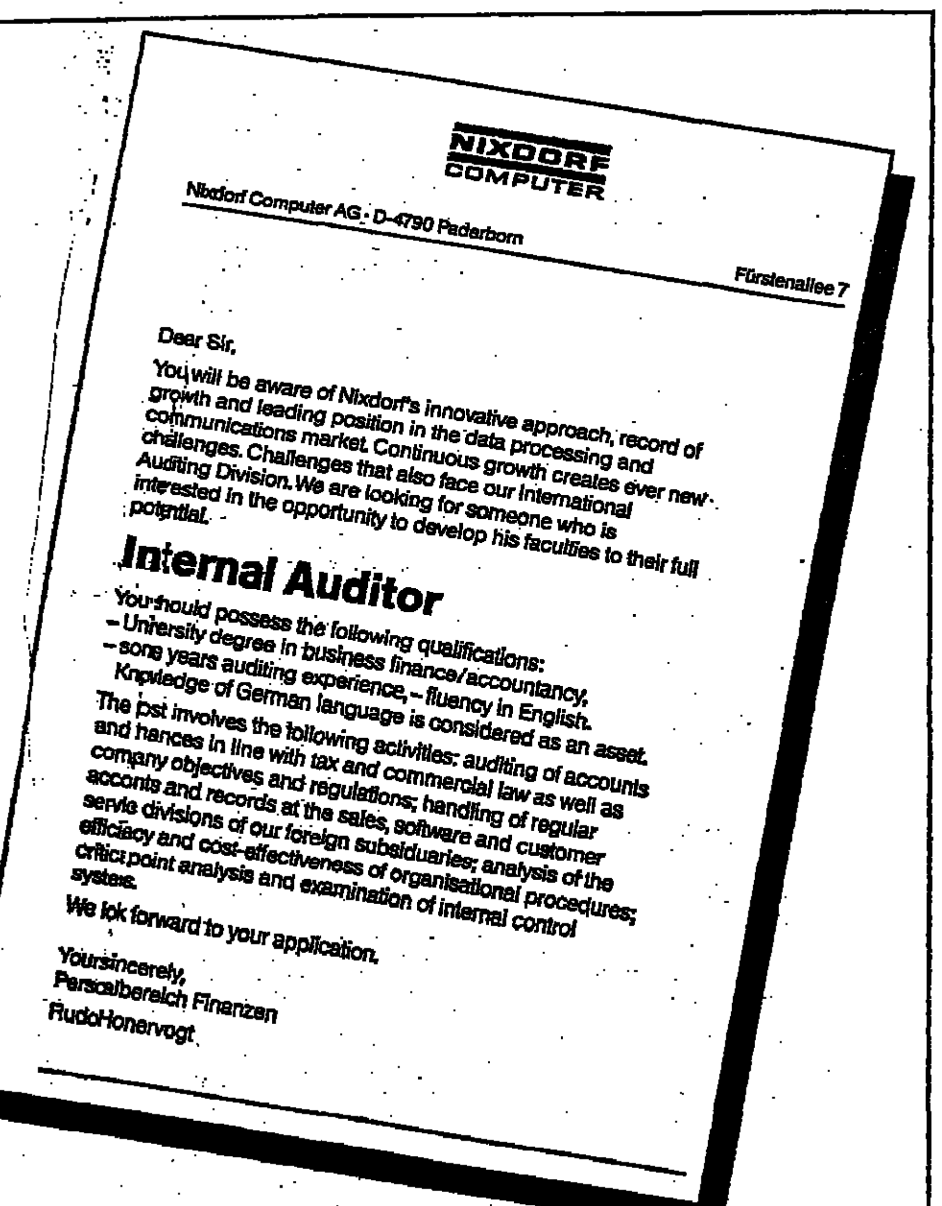

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COMMODITIES AND AGRICULTURE

Vestey land escapes Brazilian takeover

By Ann Charters in Sao Paulo

FOUR FARMS belonging to the Lancashire General Investment Company, a privately-owned Brazilian company belonging to the Lord Vestey group in the UK, have narrowly ...escaped ...being recommended for expropriation. The nine-member agrarian commission of the Sao Paulo office of Incra, the federal agency responsible for pushing through President Jose Sarney's land reforms, recognised that the productive farms should not be subject to expropriation and agreed to end the proceedings.

In the two years since agrarian reform started President Sarney has said publicly sevral times that no productive farms would be touched, but it is an example of the politicisation of the land reform process that the Lancashire farms even reached the Commission.

According to Incra's own inspection in finding, the farms totalling 125,000 hectares in the interior of Sao Paulo are clossified as agro-businesses with a productivity index of 119 per cent, well avoe the state norm for land utilisation.

The proceedings against the farms were initiated a year ago by a Federal deputy from the PMDB, Brazil's main political party, who unsuccessfully sought re-election last November from a city in the interior of the state located near one of the Lancashire farms. He claimed that the city, and Guaraci, was impoverished because of the presence of the farms.

One of the Commission members, Mr Plineio Junqueira, an international property owner, said that the farms were modelled on advanced techniques, had achieved a yield in corn which in some hectares surpassed US yields, provided housing, schooling, a recreational club, transportation and subsidised fod for its workers, and stod out when viewed from the air.

The farms, Faeendas Jacarecatinga, Sao Francisco, Jacarevinho and Posse do Rio Grande, have an average yield for corn of 115 to 120 bags per hectare, with a high of 150 bags in some areas, well above the Brazilian average of under 50 bags. Maize(sugar cane, soyabeans, oranges and coffee are also grown.

The farms have also collected six years of genetic data on 40,000 nelore cows, as part of its effort to improve the breed. According to a Brazilian agronomist/geneticist working on the project, it is the larges and most efficient study of nelore breeding in the world.

Range fed cattle from the farms are slaughtered with a carving percentage of over 90, when the national norm is 50. The time span to reach slaughter weight of 240 kilos has also shrunk from the Brazilian norm of 44 to 45 months to 30 to 31 months.

Early in the four-hour meeting on exporopriations, one commission member said that it would be "suicidal" to recommend expropriation for farms Incra judges to be productive. Nevertheless, the commission is worried that it has filled only 3 per cent of its quota o fland per migrant farmers.

Judge turns down plea to wind up Tin Council

BY STEFAN WAGSTYL, MINING CORRESPONDENT

A HIGH Court judge yesterday dismissed an application for a receiver to be appointed to recover the debts of the insolvent International Tin Council from its 22 member states, including the UK.

Mr Justice Millett was giving judgement in one of a series of cases arising from the tin crisis, which blew up in October 1985 when the tin council ran out of money administering an international tin price support pact.

He said Maclaine Watson, a London Metal Exchange trader owed more than £6m by the council, had embarked on a "hopeless" quest in trying to show that the ITC had a right to claim contributions from its members and that a receiver could take over his right.

The judge said Maclaine Watson's argument was based on the "fallacy" that because such a right was not stated in the International Tin Agreement, which set out the council's rights, it could be inferred that it existed elsewhere in law.

Maclaine Watson had argued that the council should be regarded as a partnership, which meant that, under English law, the partners would be liable for its debts.

But Mr Justice Millett said the council's members were sovereign states with the power to enter into an international treaty which was not governed by the law of any single country or enforceable by it.

The council's rights were "derived from the treaty (under which it was established) and nowhere else." He added: "The fact that the ITA is not enforceable by the English courts does not entitle the courts to pretend that it does not exist or to cast around for some fanciful source of the ITC's rights against its members."

Mr Justice Millett said he would not rule on whether the council had a separate legal personality of its own, distinct from its members, in both international and English law which would make it directly liable for its debts.

That was the "crucial question" in direct actions by creditors against member governments.

Maclaine Watson has started such an action against the British Government which is applying to have it struck out in a hearing due to start on July 20. Other metal brokers and banks are launching similar actions, among them J. H. Rayner (Mincing Lane) in a case currently being heard in private. Solicitors acting for Maclaine said it would also most probably appeal against yesterday's judgment.

● An opposed position for the compulsory winding up of ACLI Metals (London), which formerly traded on the LME, was adjourned until June 10 in the High Court yesterday. The petitioner, Metall und Rohstoff, a Swiss company, is claiming £43m, the outstanding balance of a judgment for £50m.

First platinum option announced

BY LAURA RAUN IN AMSTERDAM

THE EUROPEAN Options Exchange (EOE) in Amsterdam will launch next week the world's first platinum option, which also will be listed on the Montreal, Vancouver and Sydney stock exchanges in a widening of their global trading link.

The option contract, which will be unveiled on Tuesday, will cover 10 troy ounces of platinum and be priced in US dollars—the same terms as on the other three exchanges. That way a position can be opened on one bourse and carried through the time zones to allow trading nearly 20 hours a day.

The four exchanges originally established their trading links in gold and silver options in the early 1980s but have admitted that the amount of business flowing through these global channels has been limited. The surge in gold prices in recent months, however, has sent gold and silver option-trading soaring on the EOE, and presumably fuelled linked dealing.

Platinum is traded currently on the New York Mercantile Echange (Nymex) where a futures contract covering 50 troy ounces is listed. Nymex is also considering launching a platinum option contract.

The new option on platinum for physical delivery is aimed largely at providing new hedging and arbitrage opportunities for the platinum futures as well as for metal traders in general.

Volume in the EOE's gold options has soared over the past couple of months on climbing gold prices and is starting to approach that on the New York commodities exchange, the world's premier exchange for precious metals. The EOE recently moved into a modern, new trading floor and is actively launching a range of new options and two new exchanges, one for financial futures and the other for energy options.

Aluminium smelters seek investment opportunities

BY JOE MANN IN CARACAS

VENEZUELA's two largest aluminium smelters—Venalum and Alcasa—are searching for new investment opportunities in aluminium product companies located in the US and Europe.

They plan to buy stakes in offshore companies so that they can ensure placement of part of primary aluminium (ingot) production in their two most important international markets, and share in profits from downstream manufacturing, distribution and sales of aluminium products. Venezuela's state-owned petroeum industry is carrying out a similar programme investing around $400m so far in oil refining and distribution systems in Europe and the US.

Alcasa last year invested $15m in a 50 per cent interest in Aleurope, an aluminium extrusion and foil maker in Belgium. Reynolds International of the US owns the other 50 per cent of shares in Aleurope. Both Alcasa and Venalum said they are holding talks with other European and American aluminium companies about possible joint ventures.

At the same time, the two Venezuelan concerns — now undergoing major expansions in aluminium production capacity — have secured long-term sales contracts with European and American clients.

Venalum and Alcasa are both joint ventures in which the Venezuelan Government holds a majority. A group of Japanese industrial firms owns 20 per cent of Venalum (production capacity of over 280,000 tonnes per year of primary aluminium) while Reynods International holds 15 per cent of Alcasa (production capacity of over 144,000 tonnes per year).

Japanese step up buying

Japanese aluminium consumers have stepped up forward buying of primary metal on the international spot market in the past few weeks following sharp domestic production declines and tighter supplies from overseas, Reuter reports from Tokyo.

They are expected to continue buying forward as they believe that spot prices are likely to rise further in yen terms in reaction to reduced output by large North American smelters.

Japanese demand for primary aluminium is estimated at some 1.8m tonnes, little changed from the past few years. But imports are expected to rise to 1.6m tonnes this year, against 1.2m last year.

Peru eases silver export ban

By Doreen Gillespie in Lima

BY DOREEN Gillespie in LIMA THE Peruvian Government has toned down its three-week-old ban on silver exports.

Minpeco the state marketing company, has told private producers that the "temporary ban" only applies to refined silver and does not include concentrates, as originally ruled.

Silver which would otherwise have been exported is being bought by the Central Reserve Bank.

Peruvian exporters complain that marketing rules are still uncertain and local miners are anxious for a return to the free market so that they can make up losses incurred last year because of low world silver prices and disadvantageous exchange rates for exports.

Peru, the world's second biggest exporter, exported 2.2m troy ounces of refined silver, worth $13.2m, in the first two months of this year.

Indonesia seeks Pakistan tea boost

BY JOHN MURRAY BROWN IN JAKARTA

INDONESIA HAS sent its top tea sellers to Pakistan this week in a bid to win orders in the world's third largest tea importing country, after the UK and the US.

The move follows Karachi's recent decision to suspend import licences, with the intention of reducing purchases from Kenya of high quality CTC (cut, tear and cure) teas, the types mainly used in tea bags.

This has opened the door for producers like Indonesia, Sri Lanka and Bangladesh, which sell mostly the lower-priced "orthodox" teas.

Competition is likely to be fierce, with world markets short of quality teas and prices depressed by a glut of low and medium types. However, a significant switch by Pakistani buyers away from quality tea could see prices firmer for orthodox grades, traders say. With unsold Kenyan stocks weighing down the quality end of the market, a sustained recovery at the Colombo and Jakarta auctions could erode the traditional price differential between the two grades.

Sir Lanka, the country affected most directly by Kenya's success, is now poised to win the bulk of the extra Pakistan orders. Its teas, both the "uva" and the "dimbula" crops, command a premium over Indonesian strains, but freight charges from Colombo are cheaper than for the long haul from Jakarta. Sri Lanka is also reportedly sweetening its offer with a counter-trade proposal — something Indonesian officials said last week they could not match.

Pakistan, keen to maintain balanced accounts with trading partners, may also want to reduce its current trade surplus with Sri Lanka—a large trade deficit with Kenya was the official reason for the latest import restrictions.

Furthermore, as members of the Asian Monetary Union (AMU) Pakistan could settle with Si Lanka without using scarce foreign exchange.

Increased demand in Colombo could see upward pressure on prices, forcing buyers like the US and Australia, and some Middle Eastern countries, to look more to Jakarta for tea imports. Traders say this may be further underlined if Pakistan decides to settle through the AMU, which would tend to inflate dollar equivalent prices.

Any increase in tea earnings, either through higher tonnages or improved prices, would be a welcome boost for Indonesia. The country is currently facing its worst recession in ten years, in the wake of lower oil revenues, traditionally the main export. The balance of payments is under increased strain—debt servicing payments alone account for up to 40 per cent of export earnings—and the Government is making great efforts to encourage non-oil exports.

Indonesia is the world's fourth biggest exporter of black teas, but like many producers it is short on quality — the result of overpicking in the 1984 season, when prices of 300 pence per kilo were reached after India's temporary ban on exports.

Jakarta prices today are around 120p — sustained by demand from Egypt and, more recently, Iraq, particularly for Sumatran teas, which have a better leaf appearance than Javan strains.

Earnings this year from the 120,000 hectares of tea gardens, while still below the $226m of 1984, should be up on the $85m received last year for 90,000 tonnes of export tea.

With consumers turning to tea bags, the Government is going ahead with production of CTC tea. Initial annual capacity has been set at 10m kgs. Officials are also considering incentive schemes for smallholders, and a plan to reward pickers for quality not quantity. With the dry season underway, slower growth rates should see the best Indonesian teas on the market by early June. Traders say leafy quality is better this year, and expect producers to take advantage of the expected increase in prices in the coming weeks.

India keen to increase production

BY P. C. MAHANTI IN CALCUTTA

INDIA'S TEA industry has been promised "all possible assistance" in its effort to increase production.

Mr P. R. Das Munshi, the Commerce Minister, told a recent meeting of the Tea Association of India that the Government was keen to ensure further growth in tea production so that the need for increased exports could be met without starving the growing domestic market.

A comprehensive tea policy was under active consideration and would be announced after the current session of parliament was adjourned in a few weeks' time, he told the meeting.

The Government was prepared to extend all possible assistance to tea producers, "in the fiscal as well as the financial fields," he added. Indian banks and financial institutions had already been asked to extend developmental loans and a meeting would be held soon with representatives of tea producing states on releasing extra land for tea production. There were also moves to rationalise agricultural income taxes so that the industry would not be forced to pay more than the corporate sector generally.

In 1986/87 Indian tea exports fell to 205m kgs from 222m in 1985/86 after a short crop of 620m kgs. Favourable weather so far has raised hopes for the current season's crop but much still depends on the performance of the monsoon in the coming months.

Industry experts estimate that India needs to produce at least 700m kgs of tea this year to meet domestic demand—which may exceed 460m kgs if the recent growth rate is maintained—and export demand of about 225m kgs.

LONDON MARKETS

ALUMINIUM continued to outshine the London Metal Exchange's other base metals contracts yesterday as prices registered the fifth consecu- months position touched a two-year high before closing at £883.25 a tonne, up £27.50 on the day and £73.75 above last Wednesday's close. The cash position rose £23.75 yesterday to £890 a tonne. Dealers attributed the rise to a continued strong Japanese buying and snow-balling speculative activity against a background of tight physical supplies in the US and Japan and a shortage of good quality metal. Most other base metals werealso firmer, with cash Grade A copper recovering £7.50 of Tuesday £9.50 fall. But zinc continued to relinquish some of its recent gains £16.50 to Tuesday's £24 fall. Dealers said the zinc market remained very nervous following Monday's overdone upward response to news of a strike at Cominco's Kimberley/Trail complex in British Columbia.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	889-91	+23.75	—
3 months	883-3.5	+27.5	888/872

Official closing (am): Cash 889-90 (862-2.5), three months 881-2 (863.5-4), settlement 890 (862.5). Final Kerb close: 880-81. Turnover: 19,825 tonnes.

COPPER

Grade A	Unoffic'l close £ per tonne	+ or —	High/Low
Cash	916.5-917.5	+7.5	917/915
3 months	895-6	+5.75	897/895

Official closing (am): Cash 915.5-6.5 (917-8), three months 895.5-896 (896-9), settlement 916.5 (918). Final Kerb close: 894-5.

Standard			
Cash	875-80	+1	885/883
3 months	865-75	-11	870

Official closing (am): Cash 880-5 (885-7), three months 868-70 (869-70), settlement 885 (887). US Producer prices 71.5-75 cents a pound. Total Turnover: 23,325 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	412-15	+2.5	419/418
3 months	365-50-67	—1.25	368/366

Official closing (am): Cash 418-9 (418.5-9.5), three months 368-8.5 (369-70), settlement 419 (419.5). Final Kerb close: 367-8. Turnover: 13,475 tonnes. US Spot: 24-25 cents a pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	2775-85	—5	2775/2760
3 months	2770-75	+10	2775/2760

Official closing (am): Cash 2,765-70 (2,780-90), three months 2,760-1 (2,757-60), settlement 2,770 (2,790). Final Kerb close: 2,770-75. Turnover: 1,526 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	513.5-14.5	—16.5	—
3 months	511.5-12	—13.75	531/506

Official closing (am): Cash 520-1 (439-40), three months 516.5-17.5 (534-4.5), settlement 521 (540). Final Kerb close: 508-9. Turnover: 15,525 tonnes. US Prime Western: 41.5-45.75 cents per pound.

TIN

KUALA LUMPUR TIN MARKET—Close: 16.69 (16.67) ringgit per kg. Up 0.02.

GOLD

Gold was little changed on the London bullion market yesterday, falling $¾ to $461-461½. There were no fresh factors to influence the market. Gold opened at $458½-459 and was fixed at $459½ in the morning and $460½ in the afternoon. It touched a peak of $461¼-461¾ and a low of $458¾-458¾.

GOLD BULLION (fine ounce)	May 13	
Close	$461-461½	(£276-276½)
Opening	$458½-459	(£275¼-275¾)
M'n'g fix	$459.50	(£275.744)
Aft'n'n fix	$460.50	(£276.046)

GOLD AND PLATINUM COINS		
Am Eagle	$473½-478½	(£283¼-286¼)
Mapleleaf	$473-476	(£283¾-284¾)
Kr'g'r'nd	$464-467	(£277½-279¼)
½ Krug	$240-241	(£143½-144¼)
¼ Krug	$120-121	(£71¾-72½)
Angel	$470-475	(£281-283¾)
1/10 Angel	$46½-50½	(£27¼-30¼)
New Sov	$106-109	(£64½-65¼)
Old Sov	$108-109½	(£64½-65½)
$ 20 Eagle	$500-550	(£299-329)
Noble Plat	$630-640	(£375¾-382¾)

SILVER

Silver was fixed 0.35p an ounce lower for spot delivery in the London bullion market yesterday at 521.45p. US cent equivalents of the fixing levels were: spot 869.5c, up 0.5c; three-month 884.95c, up 0.5c; six-month 900.10c, up 0.15c; and 12-month 930.2c, down 0.1c. The metal opened at 520-523p (868-871c) and closed at 524-527p (875-880c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	521.45p	-0.35	522.0p	-5.5
3 months	532.70p	-0.55	533.0p	-5.5
6 months	543.00p	-0.65	—	—
12 months	561.80p	-1.06	—	—

Three months final kerb 535-40p.

LME—Turnover: 8 (2) lots of 10,000 oz.

RUBBER

PHYSICALS — The London market opened slightly steadier, was very quiet throughout the day and closed uncertain, reports Lewis and Peat. Closing prices (buyers): Spot 61.50p (61.00p); June 61.25p (60.75p); July 60.75p (60.25p). The Kuala Lumpur fob price (Malaysia/Singapore cents) per kg: RSS No 1 230.5 (229.0); SMR 20 198.5 (same).

FUTURES—Index 580, June 579-582, July 579-582, July/Sept 579-592. Sales: Nil.

INDICES

REUTERS

May 13	May 12	M'th ago	Year ago
1616.4	1616.6	1566.1	1779.2

(Base: September 18 1931=100)

DOW JONES

Dow Jones	May 13	May 11	M'th ago	Year ago
Spot	129.63	128.48	—	188.41
Fut	129.78	130.29	—	182.37

(Base: December 31 1931=100)

MAIN PRICE CHANGES

	May 13 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1580/590	+45	$1380/410
Copper			
Cash Grade A	£917	+7.5	£915.5
3 months	£895.5	+5.75	£874.25
Gold Troy oz	$461.25	+0.25	$445.75
Lead Cash	£413.5	+2.5	£336.5
3 months	£366.75	5.5	£316.5
Nickel			
Free Mkt	208/228c	—1	176/196c
Palladium oz	$149.00	—1	$139.10
Platinum oz	$614.50	—6.25	$589.75
Quicksilver†	$270/280		$240/250
Silver troy oz	521.45p	—0.35	444.65p
3 months	532.70p	—0.55	455.00p
Tin			
free Mkt	£4155/165		£4220/240
Tungsten	$46.93		$48.37
Wolfram 22.04lb	$50/55		$50/55
Zinc	£514	—16.5	£456.5
3 months	£511.75	—13.75	£455.5
producers	$790/840		$790
OILS			
Coconut (Phil)	$420u	—5	$405
Palm Malayan	$350v	—2.5	$350
Seeds			
Copra (Phil)	$265u		$260
Soyabean (U.S.)	$161	—4	$141.5
GRAINS			
Barley Fut. Sept	£98.60		£99.45
Maize	£146.00	—0.05	£143.25
Wheat Fut. July	£122.45	—0.10	£124.35
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. July	£1292	—9.5	£1528.5
Coffee Ft. July	£1356.5	—9.5	£1327
Cotton A Ind.*	75.25c	+0.35	56.70c
Gas Oil July	$154.75	+0.5	$141.5
Rubber (kilo)	61.5p	+0.5	61p
Sugar (raw)	$178u	—4.5	$175
Wooltops 64s	481p kilo		471p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. w June-Aug. v July. u May-June.

COFFEE

Trade hedging restricted gains as light commission house buying took levels back to Tuesday's highs, reports Drexel Burnham Lambert. In moderate volume and a narrow range buyers were reluctant as light to moderate origin selling was noticeable once more. After a steady opening against a steady New York close, persistent trade selling pushed levels lower.

COFFEE	Yesterday close	+ or —	Business Done
May	1328-1334	—1.5	1350-1337
July	1356-1357	—9.5	1383-1357
Sept	1376-1378	—8.5	1398-1378
Nov	1395-1398	—1.0	1415-1398
Jan	1414-1417	+8.0	1430-1420
Mar	1440-1445	+11.5	1460-1442
May	1465-1475	+20.0	—

Sales: 2,576 (5,367) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for May 12: Comp. daily 1979 112.68 (111.26); 15-day average 110.01 (109.50).

COCOA

Futures failed to make the higher levels due and eased following commission house selling. Light producer interest was seen early in the day but physicals were generally neglected, reports Gill and Duffus.

	Yesterday's close £ per tonne	+ or —	Business done
May	1265-1270	—3.0	1275-1267
July	1291-1293	—9.5	1305-1290
Sept	1307-1308	—9.5	1319-1305
Dec	1329-1331	—10.0	1342-1329
March	1357-1358	—7.0	1369-1357
May	1376-1378	—8.0	1387-1380
July	1396-1398	—10.0	1407-1388

Sales: 4,250 (3,473) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for May 13: 1,616.63 (1,622.91); 10-day average for May 14: 1,606.37 (1,605.03).

FREIGHT FUTURES

	Close	High/Low	Prev.
Dry Cargo			
July	1059	1060/1015	1059/1060
Oct.	1050/1080	1055/1053	1078/1080
Jan.	1045/1050	1055/1030	1065/1090
Apr.	1030/1065	—	1070/1100
July	900	—	900/950
Oct.	860	—	860
Jan.	930/940	—	930
April	1070	—	1070
BFI.	1087.5	—	1083.5

Turnover: 670 (526).

GRAINS

Old crop wheat remained in a narrow range throughout the day with strength in May rather than July. Fringe shipper buying was a noted feature. Old crop barley again steadied on nervous short-covering. New crops attracted a good fob related trade on wheat but barley again eased on shipper long liquidation, reports T. G. Roddick.

	WHEAT		BARLEY	
Mnth	Yest'rdy's close	+ or —	Yest'rdy's close	+ or —
May	120.85	+0.15	106.50	+1.88
July	122.45	—0.10	—	—
Sep.	101.75	+0.05	98.60	—0.05
Nov.	103.85	—0.05	101.00	—0.15
Jan.	106.50	—0.10	103.40	—0.20
Mar.	108.85	—0.05	105.85	—0.10
May	111.55	—0.15	107.55	—

Business done—Wheat: May 120.85-20.80, July 122.65-2.45, Sept 101.75-1.70, Nov 103.90-3.75, Jan 106.55-6.50, March 108.85, May 111.55. Sales: 235 lots of 100 tonnes. Barley: May 106.75-6.00, Sept 98.65-8.60, Nov 101.10-1.05, Jan 103.50, March 105.95-5.85, May 107.55. Sales: 78 lots of 100 tonnes.

LONDON GRAINS—Wheat: US Hard Winter, 13½ per cent: June 97.75, July 98.00, Aug 97.50. US No 2 Soft Red Winter: June 97.25, July 94.75, Aug 95.50. French 11½-12 per cent: May 143.00. English feed, fob: May 123.00-124.00 buyer/sellers, July 124.50 seller, Sept 103.25-104.00, Oct/Dec 106.75-107.00 buyer/sellers. Nov 107.00 seller, Jan/March 110.50 buyers. Maize: US No 3 Yellow/French, transhipment East Coast: May 148.00. Barley: English feed, fob: May 110.25-111.00 buyer/sellers Scottish, 112.00 English, June 111.00-112.00, July 23/Aug 10 99.00-100.00 buyer/sellers, Aug 100.00, Sept 102.50, Oct/Dec 105.00, Jan/March 109.50 sellers.

HGCA — Locational ex-farm spot prices. Feed barley: N. East 109.10. The UK monetary coefficient for the week beginning Monday May 18 is expected to be unchanged.

POTATOES

The market traded quietly in a narrow range and in thin volume. April held steady despite some heavy rainfall over the last two days. There were 11 tenders made on the May position taking the total to 21, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov	91.50	89.90	92.00-90.00
Feb	100.30	100.50	—
Apr	124.80	125.80	125.60-125.00
May	137.80	137.50	—

Sales: 319 (544) lots of 40 tonnes.

US MARKETS

MIXED TRADE, local and commission house buying touched off stops in early trading as the gold, silver and platinum futures all steadied, reports Drexel Burnham Lambert. However, trade selling at the highs prompted profit-taking which also touched off stops as the markets closed lower on the day. Profit-taking in copper futures also saw prices decline. More constructive than expected API statistics prompted commission house buying and short-covering to steady crude oil futures in the face of mixed trade activity. Trade and local buying firmed coffee futures in the face of scale-up commission house buying. In cocoa futures early strength from house buying and short-covering dissipated as local and speculative selling emerged, touching off stops. Sugar featured two-sided trade activity, on balance steadying. Cotton futures steadied on short-covering and profit-taking. Orange juice rallied as a result of short-covering in the expiring May contract. The grains continued to ease on long-liquidation, reflecting anticipated rains in growing areas and the posting by the USDA of lower country prices.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	Prev	High	Low
May	72.50	71.00	73.00	73.00
June	71.00	69.80	—	—
July	69.90	69.00	70.20	69.90
Sept	67.75	67.00	—	—
Dec	67.00	66.00	66.50	66.50
Jan	67.00	66.00	—	—
March	67.00	66.00	—	—
May	67.00	66.00	—	—

COCOA 10 tonnes, $/tonnes

	Close	Prev	High	Low
May	1962	2000	1995	1962
July	1987	2028	2018	1980
Sept	2016	2051	2040	2013
Dec	2047	2083	2070	2045
March	2075	2111	2100	2090
May	2105	2147	—	—
July	2132	2168	—	—

COFFEE "C" 37,500 lb, cents/lb

	Close	Prev	High	Low
May	123.85	125.00	124.00	122.25
July	123.75	123.73	124.75	122.75
Sept	123.58	123.90	124.75	122.85
Dec	124.34	124.75	125.50	121.75
March	125.80	125.55	128.50	125.50
May	124.50	125.75	—	—
July	125.13	126.10	—	—
Sept	124.38	125.25	—	—

COPPER 25,000 lb, cents/lb

	Close	Prev	High	Low
May	67.75	68.00	68.50	67.80
June	67.20	67.45	—	—
July	66.65	66.95	67.55	66.55
Sept	65.85	66.30	66.70	65.80
Dec	66.00	66.50	66.80	66.10
Jan	66.10	66.60	—	—
March	66.20	66.80	67.30	66.30
May	66.55	67.20	67.60	67.25
July	66.85	67.65	67.60	67.30
Sept	67.15	68.00	—	—

COTTON 50,000 lb, cents/lb

	Close	Prev	High	Low
July	69.18	68.35	69.75	68.65
Oct	68.85	68.00	69.25	68.30
Dec	68.12	67.35	68.65	67.68
March	68.50	67.97	69.20	68.46
May	69.05	68.27	69.25	69.10
July	69.20	68.55	—	—
Oct	67.95	68.55	68.00	68.00

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	Prev	High	Low
June	19.43	19.27	19.50	19.41
July	19.02	18.93	19.15	19.02
August	18.84	18.80	19.02	18.84
Sept	18.70	18.74	18.95	18.70
Oct	18.75	18.71	18.92	18.80
Nov	18.72	18.70	18.90	18.72
Dec	18.70	18.70	18.90	18.70
Jan	18.70	18.68	18.70	18.70
Feb	18.73	18.66	18.73	18.73
March	18.87	—	—	—

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	Prev	High	Low
June	51.90	51.68	52.60	51.60
July	51.35	51.27	52.15	51.20
Aug	51.70	51.66	52.45	51.60
Sept	52.30	52.31	52.85	52.15
Oct	52.95	52.96	53.55	52.95
Nov	52.80	53.60	54.10	53.85
Dec	54.20	54.25	54.75	54.20

ORANGE JUICE 15,000 lb, cents/lb

	Close	Prev	High	Low
May	138.50	136.10	138.50	135.20
July	132.80	131.35	132.80	131.80
Sept	130.30	129.10	130.40	129.70
Nov	127.40	126.75	127.45	127.40
Jan	126.90	126.50	127.00	126.95
March	126.95	126.50	—	—
May	126.95	126.50	—	—

GOLD 100 troy oz, $/troy oz

	Close	Prev	High	Low
May	458.4	459.7	460.0	460.0
June	460.0	461.5	466.0	460.0
July	462.8	464.3	460.0	460.0
August	465.8	467.0	472.0	460.0
Oct	471.2	472.6	478.0	471.0
Dec	476.8	478.3	483.0	478.1
Feb	483.1	484.4	489.5	483.1
April	489.1	490.4	492.8	491.[illegible]
June	495.4	496.6	503.5	496.[illegible]
Oct	508.7	509.5	515.0	511.5
Dec	515.5	516.7	522.0	516.0
Feb	522.4	523.8	525.8	525.0

PLATINUM 50 troy oz, $/troy oz

	Close	Prev	High	Low
June	602.9	617.4	—	—
July	605.4	619.9	625.5	603.0
Oct	612.4	626.5	632.0	610.0
Jan	619.4	633.3	634.0	620.0
April	626.4	639.8	641.0	639.0
July	633.4	646.8	648.5	637.0

SILVER 5,000 troy oz, cents/troy oz

	Close	Prev	High	Low
May	864.5	872.5	884.0	868.0
June	867.5	876.0	880.0	876.0
July	873.0	881.5	893.5	873.0
Sept	884.2	892.5	904.0	886.0
Dec	902.0	910.5	923.0	902.0
Jan	908.0	916.5	—	—
March	919.7	928.5	936.0	922.0
May	932.6	941.6	963.0	953.0
July	946.0	955.0	960.0	955.0

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	Prev	High	Low
July	7.06	6.98	7.11	6.91
Sept	7.10	7.02	7.31	7.29
Oct	7.37	7.31	7.41	7.27
Jan	7.50	7.44	7.47	7.40
March	7.74	7.67	7.75	7.65
May	7.88	7.86	7.89	7.85
July	8.01	7.94	8.61	7.98
Oct	8.17	8.09	8.12	8.07

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	Prev	High	Low
June	67.37	68.62	68.55	67.25
August	61.25	62.82	62.50	61.20
Oct	60.30	61.02	61.22	60.20
Dec	61.46	61.95	62.25	61.40
Feb	61.50	61.75	62.35	61.50
April	62.80	63.07	63.57	62.80
June	62.82	62.80	63.30	62.52

LIVE HOGS 30,000 lb, cents/lb

	Close	Prev	High	Low
June	54.90	55.47	55.90	54.90
July	51.15	51.85	51.90	50.80
Aug	47.35	47.95	48.10	47.30
Oct	42.50	42.82	43.10	42.42
Dec	42.27	42.15	42.53	42.02
Feb	41.50	41.50	41.90	41.50
April	39.32	39.12	39.90	39.20
June	41.70	42.00	41.70	41.17
July	40.92	41.40	41.40	40.92

MAIZE 5,000 bu min, cents/56 lb bushel

	Close	Prev	High	Low
May	[illegible]	187.2	188.0	182.0
July	[illegible]	192.2	193.0	188.0
Sept	[illegible]	197.0	197.0	191.4
Dec	[illegible]	202.6	203.6	196.6
March	[illegible]	209.0	209.0	203.0
May	[illegible]	211.0	211.4	205.0
July	[illegible]	212.0	212.4	207.0

PORK BELLIES 38,000 lbs, cents/lb

	Close	Prev	High	Low
May	72.82	74.82	74.60	72.82
July	69.35	71.12	71.10	69.12
Aug	64.65	[illegible]	65.65	64.62
Feb	56.95	[illegible]	58.25	56.90
March	56.60	[illegible]	57.75	56.60
May	58.10	[illegible]	58.50	58.10

SOYABEANS 5,000 bu min, cents/60 lb bushel

	Close	Prev	High	Low
May	562.4	[illegible]	562.4	550.4
July	571.2	[illegible]	573.0	558.0
Aug	576.0	[illegible]	577.0	561.0
Sept	578.0	[illegible]	579.0	562.4
Nov	586.2	[illegible]	586.0	566.0
Jan	593.4	[illegible]	593.4	574.4
March	602.4	[illegible]	602.4	582.4
May	608.0	[illegible]	608.0	588.4
July	609.0	[illegible]	609.0	590.0

SOYABEAN MEAL 100 tons, $/ton

	Close	Prev	High	Low
May	172.0	[illegible]	172.0	167.0
July	170.8	[illegible]	171.0	165.7
Aug	171.7	[illegible]	172.0	166.0
Sept	172.0	[illegible]	172.0	166.5
Oct	173.2	[illegible]	174.5	168.0
Dec	175.7	[illegible]	176.0	169.5
Jan	178.0	174.0	178.0	171.5
March	181.0	177.0	181.0	172.5
May	181.5	177.0	181.0	182.0
July	181.5	178.0	181.0	182.0

SOYABEAN OIL 60,000 lb, cents/lb

	Close	Prev	High	Low
May	17.22	16.87	17.23	16.74
July	17.47	17.17	[illegible]	16.96
Aug	17.57	17.37	[illegible]	17.18
Sept	17.84	17.53	[illegible]	17.35
Oct	18.07	17.72	[illegible]	17.60
Dec	18.35	18.06	[illegible]	17.90
Jan	18.47	18.15	[illegible]	18.10
March	18.75	18.50	[illegible]	18.35
May	18.85	18.60	[illegible]	18.72
July	18.86	18.60	[illegible]	18.75

WHEAT 5,000 bu min, cents/60 lb bushel

	Close	Prev	High	Low
May	313.0	319.4	314.[illegible]	306.4
July	302.2	306.6	303.[illegible]	296.0
Sept	304.6	307.0	305.[illegible]	298.0
Dec	311.4	310.6	312.[illegible]	303.4
March	312.4	311.4	312.4	304.0
May	305.0	308.0	305.0	303.0

SPOT PRICES—Chicago loose lard 15.00 (14.50) cents per pound. Handy and Harman silver bullion 881.5 (880.0) cents per troy ounce. New York tin 318-22 (319-21) cents per pound.

SOYABEAN MEAL

Prices came under commercial selling pressure early on but a turn around in Chicago saw a rally back to unchanged in light volume, reports Muirpace.

	Yesterd'ys close £ per tonne	+ or —	Business done
June	123.5-124.5	+0.50	—
August	122.5-123.0	+0.25	—
October	123.0-124.0	+0.45	123.0
Dec	124.0-125.0	—0.50	—
Feb	127.5-128.0	—	128.9
April	127.5-129.0	—0.75	—
June	127.0-129.0	—1.00	—

Sales: 75 (193) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $178.00 (£107.00), down $4.50 (down £2.50) a tonne for May/June delivery. White sugar $191.00, down $3.50.

Tate and Lyle delivery price for granulated basis sugar was £211.00 a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for May 12: Daily price 6.85 (6.92); 15-day average 6.71 (6.69).

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Aug	158.8-159.2	159.8-157.2	159.0-158.4
Oct	164.8-165.0	165.4-165.6	166.0-162.8
Dec	167.2-168.6	168.8-167.6	168.2
Mar	172.8-173.0	171.4-171.6	175.6-171.6
May	175.8-176.4	176.8-175.0	176.8-176.4
Aug	178.0-180.4	177.6-178.4	178.8-178.8
Oct	180.0-181.4	178.5-180.2	—

Sales: 1,306 (4,867) lots of 50 tonnes.

PARIS—(FFr per tonne): Aug 1141-11.45, Oct 1170-1175, Dec 1190-1200, March 1225-1230, May 1262-1264, Aug 1295-1300.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 98.55p per kg lw (+2.22). GB—Sheep 259.38p per kg est dcw (+13.56). GB—Pigs 79.29p per kg lw (+5.53). GB—AAPP 97.16p per kg dw (—1.68).

FUTURES—Pigs: Oct 100.50. Sales: 6. Live cattle: June 98.50. Sales: 2.

OIL

Brent prices opened 15c up on Tuesday's London close following bullish API statistics and continued to rise during the morning. June Brent sold at $18.95 around lunchtime before prices slipped in thinner trade. June WTI opened 15c up on Nymex and traded 19c up at 1.30 pm EDT. In the petroleum products market gas oil and gasoline firmed on bullish sentiment, despite ample supply. Naphtha as firmer on renewed buying interest or high NA for refining into gasoline—Petroleum Argus, London.

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—June		
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.00-17.10	—
Brent Blend	18.75-18.80	+0.1[illegible]
W.T.I. (1pm est)	19.45-19.50	+0.2[illegible]
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif $ per tonne)		
Premium gasoline	202-205	+2
Gas Oil	155-157	+2
Heavy fuel Oil	111-113	—
Naphtha	173-175	+1

Petroleum Argus estimates * Jun.

GAS OIL FUTURES

Month	Yestrdy's close US$ per tonne	+ or —	Business Done
June	155.25	+0.75	157.50-55.00
July	154.75	+0.50	157.00-54.75
Aug	156.50	+0.50	157.75-55.50
Sept	157.25	+0.75	159.25-57.25
Oct	159.50	+1.00	—

Turnover: 2,448 (2,984) lots of 100 tonnes.

HEAVY FUEL OIL

Month	Yesterday's close US$ per tonne	+ or —	Business Done
June	106.[illegible]	+2.50	—
July	103.[illegible]	—0.75	103.00

Turnover: 4 ([illegible]) lots of 100 tonnes.

Indonesia to lobby for higher coffee quota

INDONESIA will lobby for a higher export quota at the June meeting of the International Coffee Organisation executive board in the island of Bali, the chairman of the Association of Indonesian Coffee Exporters said.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound firm

THE DOLLAR rose slightly in expectation of a narrowing of the US trade deficit today, but trading was quiet.

Another large US trade deficit has been forecast for March, but it is expected to be lower than the February deficit of $15.1bn, probably in the region of $12bn to $14bn.

There was little reaction to news that Japan's trade surplus fell to $7.57bn in April from $8.09bn, while the surplus with the US rose to a record $5.15bn.

Dealers were suspicious the US trade deficit may be worse than expected after the Japanese Finance Ministry asked financial institutions in Tokyo to moderate speculation against the dollar. It was also suggested that the comment by Mr James Baker, US Treasury Secretary, that the Federal Reserve's credit policy is adequate, implied the US Administration does not want to see higher interest rates if the trade figures disappoint.

The dollar rose to DM 1.7900 from DM 1.7880; to SFr 1.4710 from SFr 1.4670; and to Y139.70 from Y139.50, but eased to FFr 5.9700 from FFr 5.9750. On Bank of England figures the dollar's index rose to 100.4 from 100.1.

STERLING—Trading range against the dollar in 1987 is 1.6885 to 1.4710. April average 1.6316. Exchange rate index rose 0.3 to 73.5, compared with 68.2 six months ago.

Sterling gained ground as nervousness about the June UK general election tended to fade. The pound is likely to remain volatile on public opinion polls in the run up to the election, and although underlying sentiment was good the Bank of England was expected to prevent any rise in sterling's value above DM 3.00.

The pound gained 15 points to $1.6710-1.6720, while climbing to DM 2.9925 from DM 2.9850; to FFr 9.98 from FFr 9.9775; to SFr 2.46 from SFr 2.45; and to Y233.50 from Y233.00.

D-MARK—Trading range against the dollar in 1987 is 1.9305 to 1.7890. April average 1.8112. Exchange rate index 147.0 against 142.3 six months ago.

The dollar rose against the D-Mark in Frankfurt, but trading was quiet, ahead of today's US trade figures. The dollar closed at DM 1.7940, compared with DM 1.7870, as the market shrugged off news that US retail sales rose only 0.1 per cent on April, compared with a revised 0.8 per cent in March. It was suggested the dollar would surge through a technical resistance point of DM 1.8020 today if the March US trade figures show an improvement.

Earlier in the day the Bundesbank did not intervene when the dollar was fixed at DM 1.7959, compared with DM 1.7888 on Tuesday.

Sterling improved as investors built up long positions ahead of the UK general election, but dealers said this was likely to be reversed after the election, and that Bank of England intervention would probably prevent the pound moving through DM 3.00. Sterling closed at DM 2.9920 in Frankfurt, compared with DM 2.9780.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. April average 142.86. Exchange rate index 226.4 against 207.7 six months ago.

The dollar improved against the yen in subdued Tokyo trading. Dealers noted the Japanese Finance Ministry requested financial institutions to moderate speculation against the dollar, but found nothing new in the statement from the authorities. The US currency touched a high of Y140.90, on speculation the Finance Ministry might introduce measures to limit market speculation, but fell back to close at Y140.15, compared with Y139.50 on Tuesday.

News that the Japanese trade surplus in April fell, but the surplus with the US rose, came too late to influence the market, but dealers said the dollar was likely to come under renewed selling pressure today, unless there is an improvement in the US trade deficit for March.

£ IN NEW YORK

May 13	Latest	Previous Close
£ Spot	1.6665-1.6670	1.6670-1.6680
1 month	0.27-0.26 pm	0.28-0.26 pm
3 months	0.65-0.62 pm	0.65-0.62 pm
12 months	1.22-1.12 pm	1.24-1.16 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	May 13	Previous
8.30 am	73.4	73.1
9.00 am	73.5	73.1
10.00 am	73.4	73.2
11.00 am	73.5	73.2
Noon	73.5	73.2
1.00 pm	73.5	73.3
2.00 pm	73.5	73.2
3.00 pm	73.5	73.2
4.00 pm	73.5	73.2

CURRENCY RATES

May 13	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.78042	0.694227
U.S. Dollar	5.5	1.3027	1.15693
Canadian $	7.90	*	1.54878
Austrian Sch.	4	N/A	14.6120
Belgian Franc	8	"	43.0927
Danish Krone	7	"	7.81679
Deutsche Mark	3.0	2.3395	2.07785
Neth. Guilder	4½	N/A	2.34116
French Franc	9½	7.8303	6.93695
Italian Lira	11.5	N/A	1500.54
Japanese Yen	2½	"	162.259
Norway Krone	8	"	7.71845
Spanish Peseta	—	"	145.484
Swedish Krona	7½	"	7.25684
Swiss Franc	3.5	"	1.70936
Greek Drach.	20½	"	154.635
Irish Punt	—	"	0.776984

*C$/SDR rate for May 12: 1.74946

CURRENCY MOVEMENTS

May 13	Bank of England Index	Morgan Guaranty Changes %
Sterling	73.5	−19.9
U.S. Dollar	100.4	−6.7
Canadian Dollar	76.9	−11.5
Austrian Schilling	138.0	+10.1
Belgian Franc	100.1	−4.5
Danish Kroner	93.4	+3.6
Deutsche Mark	147.0	+21.6
Swiss Franc	174.8	+25.8
Guilder	135.3	+14.3
French Franc	71.6	−12.9
Lira	47.3	−18.2
Yen	226.4	+69.1

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

May 13	£	$
Argentina	[illegible]	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Korea (Sth)	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]
Luxembourg	[illegible]	[illegible]
Malaysia	[illegible]	[illegible]
Mexico	[illegible]	[illegible]
N. Zealand	[illegible]	[illegible]
Saudi Ar.	[illegible]	[illegible]
Singapore	[illegible]	[illegible]
S. Af. (Cm)	[illegible]	[illegible]
S. Af. (Fn)	[illegible]	[illegible]
Taiwan	[illegible]	[illegible]
U.A.E.	[illegible]	[illegible]

*Selling rate. Correction for May 12; U.A.E. [illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May 13	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0927	+1.49	+0.79	± 1.5344
Danish Krone	7.85212	7.81679	−0.45	−1.15	± 1.6404
German D-Mark	2.05853	2.07785	+0.94	+0.24	± 1.0981
French Franc	6.90403	6.93695	+0.48	−0.22	± 1.3674
Dutch Guilder	2.31943	2.34116	+0.94	+0.24	± 1.5012
Irish Punt	0.768411	0.776984	+1.12	+0.42	± 1.6684
Italian Lira	1483.58	1500.54	+1.14	+0.97	± 4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

May 13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6640-1.6720	1.6710-1.6720	0.28-0.25c pm	1.90	0.68-0.63 pm	1.57
Canada	2.2261-2.2375	2.2365-2.2375	0.25-0.15c pm	1.07	0.43-0.31 pm	0.66
Netherlands	3.36-3.37½	3.36½-3.37½	1⅛-⅞c pm	3.56	3¼-2⅞ pm	3.64
Belgium	61.92-62.15	62.05-62.15	14-7c pm	−2.03	31-20 pm	−1.64
Denmark	11.23½-11.28½	11.27½-11.28½	1¼-2 ore dis	−1.73	4⅛-4⅞ dis	−1.60
Ireland	1.1145-1.1210	1.1185-1.1195	0.13-0.22 p dis	−1.88	0.28-0.53 dis	−1.45
W. Germany	2.98¼-2.99¼	2.98¾-2.99¾	1⅞-1¼pf pm	5.26	4-3¾ pm	5.18
Portugal	231.45-233.03	232.05-232.95	94-165c dis	−6.68	336-428 dis	−6.57
Spain	209.21-210.07	209.75-210.05	154-240c dis	−11.26	424-534 dis	−9.13
Italy	2157½-2165¾	2163¾-2164¾	par-2 lire dis	−0.55	3-7 dis	−0.92
Norway	11.10½-11.16¾	11.15¾-11.16¾	4⅝-5⅞ ore dis	−6.01	16-16¾ dis	−6.56
France	9.95¾-9.99½	9.97½-9.98½	⅞-¼ c pm	0.68	1¼-¾ pm	0.50
Sweden	10.43¾-10.48½	10.47½-10.48½	⅛-⅝ c pm	−0.43	2-2⅝ dis	−0.88
Japan	232½-234	233-234	1⅛-⅞ y pm	5.14	3⅛-2⅞ pm	5.14
Austria	21.00-21.08	21.05-21.08	8½-7½ gro pm	4.56	24⅛-21¾ pm	4.36
Switzerland	2.45-2.46½	2.45½-2.46½	1¼-1 c pm	5.49	3¼-3pm	5.80

Belgian rate is for convertible francs. Financial franc 62.30-62.40. Six-month forward dollar 1.00-0.95 c pm. 12-month 1.25-1.15 pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

May 13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6640-1.6720	1.6710-1.6720	0.28-0.25c pm	1.90	0.68-0.63 pm	1.57
Ireland†	1.4872-1.4945	1.4935-1.4945	0.67-0.62c pm	5.19	1.45-1.30 pm	3.69
Canada	1.3360-1.3397	1.3385-1.3395	0.08-0.11c dis	−0.85	0.29-0.32 dis	−0.91
Netherlands	2.0155-2.0270	2.0160-2.0170	0.31-0.27c pm	1.72	1.05-1.00pm	2.03
Belgium	37.10-37.30	37.10-37.20	2pm-1 c dis	−0.16	3pm-2 dis	0.05
Denmark	6.72½-6.75¼	6.74½-6.75	1.40-1.90ore dis	−2.93	4.30-4.80 dis	−2.69
W. Germany	1.7885-1.7975	1.7895-1.7905	0.52-0.49pf pm	3.37	1.63-1.58pm	3.58
Portugal	138¾-139½	138¾-139	85-115c dis	−8.61	260-310 dis	8.18
Spain	125.45-125.96	125.55-125.65	100-200c dis	−14.31	300-400 dis	−11.13
Italy	1296-1299	1294¾-1294¾	2.50-3.00lire dis	−2.55	7.50-9.00 dis	−2.55
Norway	6.66¼-6.68	6.67½-6.68	4.00-4.30ore dis	−7.47	12.40-12.70dis	−7.53
France	5.96½-6.00	5.96¾-5.97¼	0.55-0.70c dis	−1.25	1.50-1.80 dis	−1.10
Sweden	6.25¾-6.27½	6.26¾-6.27¼	1.25-1.35ore dis	−2.49	3.90-4.10 dis	−2.55
Japan	139.60-140.40	139.65-139.75	0.39-0.36y pm	3.21	1.25-1.20 pm	3.50
Austria	12.60½-12.63½	12.61¼-12.61¾	3.20-2.80gro pm	2.85	9.75-8.75 pm	2.93
Switzerland	1.4690-1.4780	1.4705-1.4715	0.49-0.44c pm	3.78	1.33-1.28 pm	3.53

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.30-37.40.

EURO-CURRENCY INTEREST RATES

May 13	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	8⅝-8¾	8 11/16-8 13/16	8¾-8⅞	8 11/16-8 13/16	8 11/16-8 13/16	8 11/16-8 13/16
U.S. Dollar	6½-6⅝	6 11/16-6 13/16	6 13/16-6 15/16	7 1/16-7 3/16	7 5/16-7 7/16	7⅝-7¾
Can. Dollar	6⅞-7⅛	6⅞-7⅛	7¼-7½	7¾-8	8 1/16-8 3/16	8⅝-8⅞
D. Guilder	4 13/16-5 1/16	4 13/16-5 1/16	5 1/16-5 3/16	5 1/16-5 3/16	5 1/16-5 3/16	5 1/16-5 3/16
Sw. Franc	1¾-2	1½-1¾	3¼-3½	3½-3⅝	3½-3⅝	3⅞-4
Deutschmark	3 3/16-3 5/16	3 3/16-3 5/16	3 3/16-3 5/16	3 3/16-3 5/16	3⅜-3½	3½-3⅝
Fr. Franc	8-8⅛	8-8⅛	8 1/16-8 3/16	8 1/16-8 3/16	8 1/16-8 3/16	8½-8⅝
Italian Lira	9-11	9½-10½	9⅞-10⅛	9¾-10¼	9⅞-10⅛	10 1/16-10½
B. Fr. (Fin.)	6 13/16-6 15/16	7-7¼	7 1/16-7 3/16	7⅛-7¼	7⅜-7½	7 7/16-7⅝
B. Fr. (Con.)	6 13/16-7	6⅝-7⅛	6⅞-7 1/16	7-7¼	7 5/16-7 7/16	7 7/16-7⅝
Yen	3 3/16-3½	3⅝-3¾	3 11/16-3⅞	3⅝-3 13/16	3¾-3 13/16	3¾-3 13/16
D. Krone	9⅞-10⅜	10-10½	10-10½	9⅞-10⅛	9⅞-10⅜	10¼-10¾
Asian $Sing	5½-5¾	N/A	4¼-4½	4¼-4½	4¼-4⅜	4⅜-4½

Long-term Eurodollars: Two years 8¼-8½ per cent; three years 8½-8¾ per cent; four years 8⅞-9 per cent; five years 8⅞-9⅛ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

May 13	£	$	DM	YEN	F Fr.	S Fr.	H FL	Lira	C $	B Fr.
£	1.	1.672	2.993	233.5	9.980	2.460	3.370	2164.	2.237	62.10
$	0.598	1.	1.790	139.7	5.970	1.471	2.017	1295.	1.338	37.15
DM	0.334	0.559	1.	78.03	3.335	0.822	1.126	723.1	0.748	20.75
YEN	4.283	7.158	12.82	1000.	42.74	10.54	14.43	9267.	9.580	266.0
F Fr.	1.002	1.675	2.998	234.0	10.	2.465	3.377	2168.	2.241	62.22
S Fr.	0.407	0.679	1.216	94.92	4.057	1.	1.370	879.6	0.909	25.24
H FL	0.297	0.496	0.888	69.29	2.961	0.730	1.	642.1	0.664	18.43
Lira	0.462	0.773	1.383	107.9	4.612	1.137	1.557	1000.	1.034	28.70
C $	0.447	0.747	1.338	104.4	4.461	1.100	1.506	967.3	1.	27.76
B Fr.	1.610	2.692	4.819	376.0	16.07	3.961	5.427	3484.	3.602	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Nervous trading

TRADING WAS a little confused and nervous in the London International Financial Futures Exchange yesterday. Sterling based instruments opened on a slightly firmer note, helped by a firmer pound. Gilt prices opened firmer after the auction of short dated gilt stocks but the results were seen as something of a disappointment and the absence of a good response together with a lack of any retail buying left the June contract at 127-03 at the close, down from 127-25 at the day's high and compared with 127-11 at the opening and 127-13 on Tuesday night.

Three-month sterling deposits opened at 91.40 for June delivery and traded within a narrow five tick range, touching a high of 91.42 and a low of 91.37. The narrow movement reflected caution ahead of the general election. Many traders were convinced that the authorities were anxious to keep something in reserve ahead of the election. Consequently the June price closed at 91.37, the day's low and unchanged from Tuesday.

Dollar based futures contracts tended to drift from opening levels, having started the day up *from Tuesday's close. With the* dollar showing only a steadier trend, US contracts found difficulty finding a support level and although the June US Treasury bond actually finished up from Friday's close of 90-11 at 90-30, it was sharply weaker in comparison with the opening level of 91-12.

Much of the market's attention was focused on today's release of US trade figures. These are expected to show some improvement over the previous month. Whatever the figure, there seemed to be a growing reluctance to push the dollar lower for fear of pushing US interest rates firmer.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
120	7.06	7.48	0.00	0.52
122	5.06	6.18	0.00	1.22
124	3.09	4.60	0.03	2.00
126	1.28	3.50	0.22	2.94
128	0.23	2.46	1.17	3.50
130	0.04	2.00	2.62	5.04
132	0.02	1.26	4.60	6.30
134	0.01	0.61	6.59	8.01

Estimated volume total, Calls 1,551 Puts 1,808
Previous day's open int: Calls 28,308 Puts 15,904

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
84	6.60	6.63	0.00	8.59
86	4.60	5.33	0.00	1.29
88	3.00	4.15	0.04	2.11
90	1.18	3.11	0.22	3.07
92	0.16	2.19	1.20	4.15
94	0.01	1.39	3.05	5.35
96	0.00	1.06	5.04	7.02
98	0.00	0.47	7.04	8.43

Estimated volume total, Calls 40 Puts 20
Previous day's open int: Calls 1,152 Puts 1,326

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last May	Calls-Last June	Puts-Last May	Puts-Last June
20250	16.41	17.15	0.01	0.75
20500	13.95	15.01	0.05	1.11
20750	11.52	12.98	0.12	1.58
21000	9.20	11.08	0.30	2.18
21250	7.03	9.33	0.63	2.93
21500	5.11	7.76	1.21	3.86
21750	3.50	6.35	2.10	4.95
22000	2.24	5.12	3.34	6.22

Estimated volume total, Calls 5 Puts 20
Previous day's open int: Calls 241 Puts 300

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last May	June	July	Sept.	Puts—Last May	June	July	Sept.
1.45	21.85	21.85	—	21.85	0.00	0.00	—	0.04
1.50	16.85	16.85	16.85	16.85	0.00	0.00	0.02	0.19
1.55	11.85	11.85	11.85	11.85	0.00	0.01	0.14	0.63
1.60	6.85	6.85	7.08	7.70	0.00	0.16	0.67	1.65
1.65	1.88	2.76	3.51	4.57	0.06	1.18	2.10	3.52
1.70	0.01	0.63	1.35	2.40	3.19	4.05	4.94	6.35
1.75	0.00	0.07	0.39	1.11	8.18	8.49	9.98	10.06

Estimated volume total, Calls 6 Puts 0
Previous day's open int, Calls 1,441 Puts 1,826

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last May	June	July	Sept.	Puts—Last May	June	July	Sept.
1.35	—	13.90	—	13.90	—	0.80	—	1.60
1.40	17.90	17.80	—	17.70	0.30	0.45	—	1.05
1.45	12.90	12.90	—	12.70	0.60	0.80	—	1.50
1.50	15.40	15.40	15.40	15.40	0.20	0.25	0.25	0.50
1.55	11.80	11.80	11.80	11.90	0.10	0.20	0.35	0.85
1.60	6.80	6.80	7.15	7.80	0.20	0.40	0.90	1.90
1.65	1.95	2.80	3.65	4.65	0.30	1.55	2.40	3.80
1.70	0.20	0.95	1.50	2.60	3.65	4.50	5.30	6.65

Previous day's open int: Calls 349 Puts 1,423
Volume: 1

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last May	June	July	Sept.	Puts—Last May	June	July	Sept.
1.600	6.30	6.30	6.50	7.30	—	0.15	0.60	1.60
1.625	3.80	4.10	4.60	5.60	—	0.60	1.05	2.30
1.650	1.60	2.60	3.10	4.25	—	1.05	1.80	3.40
1.675	0.15	1.25	2.00	2.30	0.85	2.20	3.00	6.10
1.700	—	0.60	1.15	1.60	3.00	3.90	4.70	7.80
1.725	—	0.25	0.60	1.10	5.55	6.00	6.60	9.60
1.750	—	0.10	0.35	0.75	8.05	8.20	8.60	11.70

Previous day's open int: Calls 81,089 Puts 70,705
Previous day's volume, Calls 7,316 Puts 2,589

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last June	Sept.	Dec.	Mar.	Puts—Last June	Sept.	Dec.	Mar.
92.00	0.62	0.41	0.45	—	0.00	0.30	0.59	—
92.25	0.39	0.28	0.34	—	0.02	0.42	0.73	—
92.50	0.19	0.18	0.24	—	0.07	0.57	0.88	—
92.75	0.08	0.11	0.17	—	0.21	0.75	1.06	—
93.00	0.02	0.06	0.11	—	0.40	0.95	1.25	—
93.25	0.00	0.03	0.07	—	0.63	1.17	1.46	—
93.50	0.00	0.01	0.04	—	0.88	1.40	1.68	—

Previous day's open int: Calls 1,140, Puts 990
Estimated volume, Calls 281, Puts 231

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
June	127-03	127-25	127-02	127-13
Sept.	126-30	127-17	127-01	127-09
Dec.	126-19	—	—	126-30

Estimated volume 30,880 (40,894)
Previous day's open int. 31,082 (31,035)

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

	Close	High	Low	Prev.
June	[illegible]	[illegible]	[illegible]	[illegible]

Estimated Volume 0 (0)
Previous day's open int. 0 (0)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept.	[illegible]	[illegible]	[illegible]	[illegible]
Dec.	[illegible]	[illegible]	[illegible]	[illegible]
Mar.	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept.	[illegible]	[illegible]	[illegible]	[illegible]

Estimated Volume 4,618 (8,975)
Previous day's open int. 27,050 (26,906)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept.	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume 706 (1,163)
Previous day's open int. 4,885 (4,779)

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept.	[illegible]	[illegible]	[illegible]	[illegible]
Dec.	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept.	[illegible]	[illegible]	[illegible]	[illegible]
Dec.	[illegible]	[illegible]	[illegible]	[illegible]
Mar.	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume 5,846 (10,356) Previous day's open int. 30,243 (29,495)

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
June	90-30	91-19	90-29	90-11
Sept.	90-02	90-15	90-07	89-15

Estimated Volume 5,416 (6,729)
Previous day's open int. 5,364 (5,541)

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6715	1.6689	1.6650	1.6616	1.6594

IMM—STERLING $ per £

	Latest	High	Low	Prev.
June	1.6650	1.6660	1.6630	1.6650
Sept.	1.6605	1.6610	1.6580	1.6605
Dec.	1.6590	1.6595	1.6550	1.6580
Mar.	1.6610	1.6610	—	1.6580

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev.
June	1.6638	1.6655	1.6635	1.6653
Sept.	1.6605	—	—	1.6579
Dec.	1.6580	—	—	1.6560

Estimated volume 116 (13)
Previous day's open int. 262 (266)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
June	91-06	91-25	91-00	90-03
Sept.	90-06	90-25	90-01	90-03
Dec.	89-08	89-25	89-05	89-06
Mar.	88-12	88-21	88-12	88-10
June	87-20	87-28	87-20	87-17
Sept.	—	—	—	86-26
Dec.	—	—	—	86-04
Mar.	—	—	—	85-16
June	—	—	—	84-14
Sept.	—	—	—	83-31

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept.	[illegible]	[illegible]	[illegible]	[illegible]
Dec.	[illegible]	[illegible]	[illegible]	[illegible]
Mar.	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept.	[illegible]	[illegible]	[illegible]	[illegible]
Dec.	[illegible]	[illegible]	[illegible]	[illegible]
Mar.	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
June	0.6806	0.6813	0.6789	0.6824
Sep.	0.6863	0.6870	0.6846	0.6881
Dec.	0.6920	0.6926	0.6904	0.6942
Mar.	—	—	—	0.6995

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
June	0.7159	0.7161	0.7146	0.7172
Sept.	0.7224	0.7226	0.7209	0.7236
Dec.	0.7290	0.7290	0.7285	0.7306
Mar.	—	—	—	0.7380
June	—	—	—	0.7458

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
June	0.5592	0.5595	0.5583	0.5597
Sept.	0.5644	0.5646	0.5633	0.5648
Dec.	0.5695	—	0.5695	0.5703
Mar.	—	—	—	0.5754

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
June	[illegible]	[illegible]	[illegible]	92.61
Sept.	[illegible]	[illegible]	[illegible]	92.09
Dec.	[illegible]	[illegible]	[illegible]	91.85
Mar.	[illegible]	[illegible]	[illegible]	91.67
June	[illegible]	[illegible]	[illegible]	91.50
Sept.	[illegible]	[illegible]	[illegible]	91.34
Dec.	[illegible]	[illegible]	[illegible]	91.18
Mar.	[illegible]	[illegible]	[illegible]	91.02

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
June.	294.05	295.45	293.40	294.45
Sept.	296.35	297.70	295.80	296.80
Dec.	298.80	299.80	298.20	299.00
Mar.	—	301.80	—	300.95

MONEY MARKETS

London rates show little change

INTEREST RATES remained stable in the London market yesterday. Traders were reluctant to continue the downward push on rates but there was still an overall bullish feel. Sterling remained firm and although the prospects of an early cut in clearing bank base rates before the election seemed unlikely, there was a general reluctance to push rates lower simply because many people in the market felt that the authorities would try and maintain a smooth passage in the run up to next month's general election.

UK clearing bank base lending rate 9 per cent since May 8

Three-month interbank money was quoted at 8¾-8¾ per cent, unchanged from Tuesday while overnight money opened at 8½-8¾ per cent and touched a high of 9 per cent before easing to 5 per cent.

The Bank of England forecast a shortage of around £150m with factors affecting the market including the repayment of any late assistance and *bills maturing* in official hands together with a take up of Treasury bills draining £480m an a rise in the note circulation of £75m. These were partly offset by Exchequer transactions which added £395m and banks' balances brought forward £10m above target.

The Bank of England gave no assistance in the morning but revised the forecast to a shortage of around £100m in the afternoon and gave help of £82m through outright purchases of £13m of Treasury bills and £57m of eligible bank bills in band 1 at 8⅞ per cent and £12m of eligible bank bills in band 2 at 8⅛ per cent.

Longer term rates tended to reflect a much flatter yield curve and although there was an overall feeling that the Conservatives would win the next election, there was some indecision as to how far clearing bank base rates would be allowed to fall.

Much now depends on the findings of various opinion polls due out between now and the election. While many traders remained sure of the outcome, there was a general reluctance to run too *short in case of a hung parliament.*

FT LONDON INTERBANK FIXING

(11.00 a.m. May 13) 3 months U.S. dollars		6 months U.S. dollars	
bid 7⅛	offer 7¼	bid 7⅜	offer 7½

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds	
Prime rate	[illegible]	One month	5.10
Broker loan rate	[illegible]	Two month	5.43
Fed. funds	[illegible]	Three month	5.72
Fed funds at intervention	[illegible]	Six month	6.09
		One year	6.64
		Two year	7.72
		Four year	8.21
		Seven year	8.45
		10 year	8.59
		30 year	8.77

May 13	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

May 13	Over-night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month [illegible] per cent; three-months [illegible] per cent; Bank Bills (sell): one-month [illegible] per cent; three months [illegible] per cent; Treasury Bills: Average tender rate of discount 8.4981 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day April 30, 1987. Agreed rates for period May 26 to June 25, 1987, Scheme I: 11.29 p.c., Schemes II & III: 11.11 p.c. Reference rate for period April 1 to April 30, 1987, Scheme IV: 9.843 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from May 1, 1987; Bank Deposit Rates for sums at seven days' notice — per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8 per cent; one-three months 8½ per cent; three-six months 8¼ per cent; six-nine months 8¼ per cent; nine-12 months 8¼ per cent; Under £100,000 8 per cent from May 13. Deposits held under Series 5 10¼ per cent. Deposits withdrawn for cash 5 per cent.

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Company Notice

BAYER AKTIENGESELLSCHAFT

The Annual General Meeting of Bayer Aktiengesellschaft will be held on 24th June 1987 in Cologne. Payment of a Dividend of 20% for the year 1986 will be proposed.

Copies of the Company's Annual Report for 1986 in German will be available from –
Hambros Bank Limited.
Hill Samuel & Co. Limited.
Kleinwort Benson Limited.
S.G. Warburg & Co. Ltd.

The report in English is in course of preparation.

United Kingdom Shareholders who wish to attend and vote at the Annual General Meeting should by 16th June, 1987, inform S.G. Warburg & Co. Ltd., Paying Agency, 6th Floor, 1 Finsbury Avenue, London EC2M 2PA, who will make the necessary arrangements on their behalf.

Under Section 125 of the German Companies Act, the Board of Management is only obliged to provide information on proposals and nominations that may be made by shareholders if the parties concerned prove their standing as shareholders in good time.

BAYER AKTIENGESELLSCHAFT
14th May, 1987

This notice is issued in compliance with the requirements of the Council of The Stock Exchange. It is not an invitation to any person to subscribe for or purchase any ordinary shares in Astra Holdings PLC. Application has been made to the Council of The Stock Exchange for the whole of the ordinary share capital of Astra Holdings PLC now in issue and to be issued in connection with the acquisition and the Offer referred to below to be admitted to the Official List.

ASTRA HOLDINGS PLC

(Incorporated in England under the Companies Act 1908 to 1917 – No. 167487)

INTRODUCTION TO THE OFFICIAL LIST

following the acquisition of

THE WALTERS GROUP

and

OFFER TO SHAREHOLDERS

SHARE CAPITAL

	Before the acquisition and the Offer: Authorised	Issued and fully paid		After the acquisition and the Offer: Authorised	Issued and fully paid*
Nominal value	£3,000,000	£2,659,683	ordinary shares of 5p each	£ 9,500,000	£ 7,375,308
Number	60,000,000	53,193,668		190,000,000	147,506,168

*This assumes an exchange rate of $1.60 to £1 in calculating the number of shares to be issued.

BUSINESS

Astra Holdings PLC ("Astra") is the holding company for a number of subsidiaries primarily engaged in the manufacture and distribution of pyrotechnics and associated explosives, comprising military, marine and commercial pyrotechnics and traditional fireworks. The Walters Group are precision engineers and metal parts manufacturers of products for the US defence and automotive industries and also manufacture and assemble electronic, electro-mechanical and mechanical components

LISTING PARTICULARS

Listing Particulars relating to Astra, following its acquisition of the Walters Group and Offer to Shareholders by Hichens, Harrison & Co., are available in the Extel Statistical Services and copies of the Listing Particulars may be obtained during normal business hours (excluding Saturdays and public holidays) up to and including 18th May, 1987 from the Company Announcements Office of The Stock Exchange and on any weekday up to and including 28th May, 1987 from Astra's registered office at Ramsgate Road, Richborough, Sandwich, Kent CT13 9NR, and from:–

James Capel & Co.,
James Capel House,
6 Bevis Marks,
London EC3A 7JQ

Hichens, Harrison & Co.,
Bell Court House,
11 Blomfield Street,
London EC2M 1LB

14th May, 1987

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY MAY 13 1987					TUESDAY MAY 12 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (94)	140.98	+1.7	125.05	131.60	2.73	138.61	123.05	128.70	140.98	99.92	91.77
Austria (16)	89.81	-0.8	79.66	83.66	2.25	90.50	80.35	83.97	101.62	89.81	90.26
Belgium (47)	121.07	+0.5	107.39	111.51	4.26	120.48	106.96	110.97	122.35	96.19	81.96
Canada (131)	130.96	+0.0	116.17	126.98	2.35	130.99	116.29	126.68	136.17	100.00	99.98
Denmark (39)	117.35	-0.4	104.09	107.69	2.48	117.78	104.56	107.69	124.10	98.18	101.11
France (122)	120.05	-0.5	106.49	112.43	2.46	120.71	107.16	113.13	121.82	98.39	95.42
West Germany (90)	94.35	+0.7	83.69	87.80	2.13	93.73	83.21	87.12	100.33	84.00	86.21
Hong Kong (45)	107.95	-0.6	95.76	108.16	3.05	108.57	96.39	108.75	114.71	96.89	73.13
Ireland (14)	129.83	+0.6	115.16	122.43	3.48	129.07	114.58	121.61	131.44	99.50	94.08
Italy (76)	104.59	-0.9	92.77	101.11	1.63	105.55	93.70	101.84	112.11	94.76	101.27
Japan (458)	158.33	-1.4	140.44	139.82	0.47	160.56	142.54	141.58	161.28	100.00	75.98
Malaysia (36)	157.59	+1.5	139.79	150.04	2.53	155.26	137.83	147.66	157.59	98.24	70.16
Mexico (14)	162.35	-3.1	144.01	216.55	1.01	167.54	148.74	225.11	197.27	99.72	50.21
Netherland (38)	117.79	+0.0	104.49	108.41	4.10	117.76	104.54	108.27	118.24	99.65	85.37
New Zealand (27)	93.84	-1.7	83.24	86.40	3.14	95.42	84.71	87.73	100.59	83.93	67.03
Norway (24)	132.64	-0.4	117.65	120.22	2.10	133.13	118.19	120.25	139.79	100.00	93.18
Singapore (27)	132.28	+2.0	117.34	129.42	1.83	129.63	115.08	126.79	132.28	99.29	60.73
South Africa (61)	171.72	+0.2	152.32	121.10	3.29	171.30	152.07	120.80	186.74	100.00	94.86
Spain (43)	108.36	+0.5	96.12	103.10	3.97	107.80	95.71	102.29	121.31	100.00	92.29
Sweden (33)	118.37	-1.1	105.00	109.87	2.11	119.65	106.22	110.75	124.66	90.85	91.01
Switzerland (51)	100.35	+0.0	89.01	91.51	1.88	100.36	89.10	91.28	104.06	93.26	85.30
United Kingdom (339)	144.41	+1.1	128.10	128.10	3.24	142.88	126.84	126.84	144.41	99.65	98.61
USA (596)	120.33	+0.2	106.74	120.33	2.99	120.05	106.58	120.05	124.06	100.00	99.67
Europe (932)	120.90	+0.5	107.25	110.37	2.85	120.35	106.84	109.84	120.90	99.78	93.52
Pacific Basin (687)	155.79	-1.3	138.19	138.33	0.61	157.78	140.07	139.87	158.30	100.00	76.34
Euro-Pacific (1619)	141.88	-0.7	125.85	127.18	1.38	142.84	126.81	127.91	143.22	100.00	83.12
North America (727)	120.69	+0.2	107.24	120.71	2.95	120.63	107.09	120.43	124.60	100.00	99.69
World Ex. US (1825)	141.83	-0.6	125.80	130.08	1.43	142.75	126.73	130.22	143.09	100.00	83.80
World Ex. UK (2082)	132.35	-0.5	117.39	124.48	1.85	132.99	118.07	124.98	133.33	100.00	89.21
World Ex. So. Af. (2360)	133.17	-0.3	118.13	124.81	1.97	133.63	118.63	125.14	133.85	100.00	89.97
World Ex. Japan (1963)	121.58	+0.3	107.85	117.31	2.92	121.19	107.59	116.89	121.58	100.00	96.72
The World Index (2421)	133.42	-0.3	118.35	124.81	1.98	133.87	118.85	125.14	134.11	100.00	90.00

Base values: Dec 31, 1986 = 100

EUROPEAN OPTIONS EXCHANGE

Series		May 87 Vol.	May 87 Last	Aug 87 Vol.	Aug 87 Last	Nov 87 Vol.	Nov 87 Last	Stock
GOLD C	$400	102	62	2	66	—	—	$461.40
GOLD C	$420	109	39	85	50	11	63	"
GOLD C	$440	173	22	7	39	9	48	"
GOLD C	$460	468	3.10	72	28.50	2	38.50	"
GOLD C	$480	14	0.20	128	18	—	—	"
GOLD C	$500	—	—	115	11.50	10	20.50	"
GOLD C	$520	—	—	130	6.90	25	17	"
GOLD P	$420	—	—	80	5	—	—	"
GOLD P	$440	22	0.30B	103	9.50	77	12.50	"
GOLD P	$460	125	4	24	15.10	40	25	"
GOLD P	$480	75	23A	—	—	10	31	"
		Jun 87		Sep 87		Dec 87		
SILVER C	$800	—	—	—	—	50	185	$873
SILVER C	$850	—	—	1	130	17	155A	"
SILVER C	$900	1	70	23	101	24	135	"
SILVER C	$1000	12	30	—	—	—	—	"
£/FI P	FI.330	—	—	13	5.90	—	—	FI.337.14
		May 87		Jun 87		Jul 87		
$/FI C	FI.205	188	0.10	259	1.50	—	—	FI.202.18
$/FI C	FI.210	10	0.05	3	0.30	—	—	"
$/FI P	FI.195	—	—	6	0.90	1	1.60	"
$/FI P	FI.200	10	0.30	7	1.80	48	3.20	"
$/FI P	FI.205	75	2.70	276	4.90B	—	—	"
$/FI P	FI.210	207	7.90	4	8.20	—	—	"
$/FI P	FI.240	—	—	11	38	—	—	"
		Sep 87		Dec 87		Mar 88		
$/FI C	FI.205	—	—	4	5	11	6.10	FI.202.18
$/FI C	FI.210	127	2.20	5	3.50A	—	—	"
$/FI C	FI.215	44	1.30B	—	—	16	3	"
$/FI P	FI.195	54	3	—	—	—	—	"
$/FI P	FI.200	8	5	—	—	—	—	"
$/FI P	FI.210	—	—	—	—	4	15	"
$/FI P	FI.235	—	—	11	34	—	—	"
		July 87		Oct 87		Jan 88		
ABN C	FI.460	24	28	159	35	—	—	FI.493
ABN P	FI.480	106	8	4	17	4	21	"
AEGON C	FI.95	218	2.80	48	4.90A	2	6	FI.94.60
AEGON P	FI.90	56	2.40	4	3.60	—	—	"
AHOLD C	FI.110	66	2.10	—	—	3	6	FI.105.00
AHOLD P	FI.100	17	2	210	3.30	—	—	"
AKZO C	FI.140	445	2.70	44	6.30	4	9	FI.133.80
AKZO P	FI.130	172	2.70	54	4.30	74	5.70B	"
AMEV C	FI.65	9	1.90	53	3.30	5	5.20	FI.63.00
AMEV P	FI.60	5	1.60A	24	2.30	5	3.60	"
AMRO C	FI.80	130	2	15	4	31	5.40	FI.77.00
AMRO P	FI.75	109	1.70	53	3.60	—	—	"
ELSEVIER C	FI.52	300	1.90	11	3	—	—	FI.50.30
ELSEVIER P	FI.50	113	1.80	—	—	—	—	"
GIST-BROC C	FI.45	157	1.60	25	3	3	3.70	FI.43.60
GIST-BROC P	FI.45	132	2.70	4	3.70	—	—	"
HEINEKEN C	FI.190	22	2.40	9	4.50	30	6.50	FI.178.00
HEINEKEN P	FI.180	102	5	—	—	—	—	"
HOOGOVENS C	FI.40	511	3	99	5A	52	6	FI.42.30
HOOGOVENS P	FI.40	465	2.30	78	3.50	56	4.20	"
KLM C	FI.45	527	2.50	345	3.30	18	4.30	FI.45.20
KLM P	FI.45	81	1.90	266	3.70	10	4	"
NED. LLOYD C	FI.150	80	2	—	—	5	7	FI.144.0
NED. LLOYD P	FI.140	28	7	16	9.50	—	—	"
NAT. NED. C	FI.70	72	3.90	340	5	54	6.80	FI.70.70
NAT. NED. P	FI.70	46	1.80	530	3	—	—	"
PHILIPS C	FI.50	2107	1.60	464	3.20	104	4.10	FI.47.90
PHILIPS P	FI.50	1506	2.90	164	4	533	4	"
ROYAL DUTCH C	FI.250	2235	8	1081	10	112	12.50	FI.257.10
ROYAL DUTCH P	FI.240	1979	4.40	142	7.90	22	9.50	"
ROBECO C	FI.105	14	3.40S	—	—	—	—	FI.102.10
UNILEVER C	FI.620	110	8.70	10	20	9	26	FI.595.00
UNILEVER P	FI.560	89	6.70	9	13	1	17	"

TOTAL VOLUME IN CONTRACTS: 39,542

A = Ask B = Bid C = Call P = Put

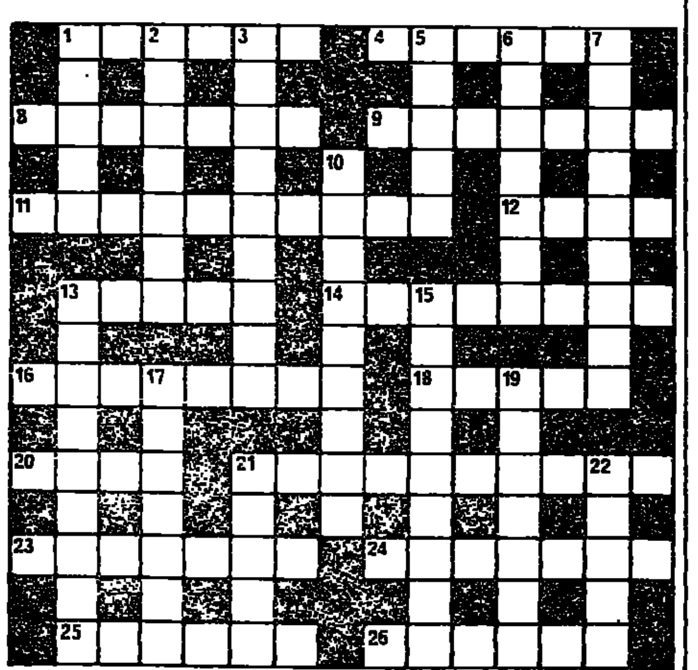
BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	● Morgan Grenfell	9
Adam & Company	9½	Citibank NA	9	Mount Credit Corp. Ltd.	9
Allied Arab Bk. Ltd	9	City Merchants Bank	9	Nat Bk. of Kuwait	9
Allied Dunbar & Co	9	Clydesdale Bank	9	NatWestminster	9
Allied Irish Bank	9	Comm. Bk. N. East	9	Northern Bank Ltd	9
American Exp. Bk	9	Consolidated Cred.	9	† Norwich Gen. Trust	9
Amro Bank	9	Co-operative Bank	*9	PK Finans. Intl (UK)	10
Henry Ansbacher	9	Cyprus Popular Bk	9	Provincial Trust Ltd	11
ANZ Banking Group	9	Duncan Lawrie	9	R. Raphael & Sons	9
Associates Cap Corp	9	E. T. Trust	11	Roxburghe Guarantee	10½
Authority & Co Ltd	9½	Equatorial TstC'p plc	9½	Royal Bk of Scotland	9
Banco de Bilbao	9	Exeter Trust Ltd.	9½	Royal Trust Bank	9
Bank Hapoalim	9	Financial & Gen. Sec.	9	Smith & W'son Secs	9
Bank Leumi (UK)	9	First Nat. Fin. Corp	10½	Standard Chartered	9
Bank Credit & Comm	9	First Nat. Sec. Ltd	10½	Trustee Savings Bank	9
Bank of Cyprus	9	● Robert Fleming & Co.	9	UDT Mortgage Exp.	*11.1
Bank of Ireland	9	Robert Fraser & Ptrs.	10	United Bk of Kuwait	9
Bank of India	9	Girobank	9	United Mizrahi Bank	9
Bank of Scotland	9	Grindlays Bank	‡9	Unity Trust PLC	9
Banque Belge Ltd	9	● Guinness Mahon	9	Westpac Bank. Corp.	9
Barclays Bank	9	HFC Trust & Savings	9	Whiteaway Laidlaw	9½
Benchmark Tst Ltd	9	● Hambros Bank	9	Yorkshire Bank	9
Beneficial Trust Ltd	10½	Heritable & Gen. Tst.	9		
Berliner Bank AG	9	● Hill Samuel	§9		
Brit Bk of Mid East	9	C. Hoare & Co.	9		
● Brown Shipley	9	Hongkong & Shangh.	9		
Business Mtge Tst	9½	Lloyds Bank	9		
CL Bank Nederland	9	Mase Westpac Ltd.	9		
Canada Permanent	9	Meghraj & Sons Ltd	9		
Cayzer Ltd	9	Midland Bank	9		

● Members of the Accepting Houses Committee. * 7-day deposits 4%. Savewise 6.66%. Top Tier—£2,500+ at 3 months' notice 7.97%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 4½% gross. ¶ Mortgage base rate. § Demand deposit 3.99%. Mortgage 11.25%.

FT CROSSWORD PUZZLE No. 6,326

HIGHLANDER



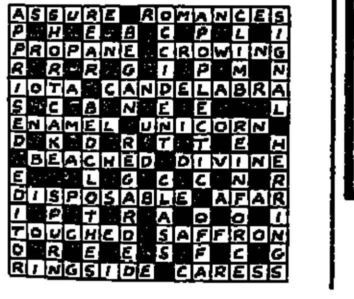
ACROSS

1 Kill mother to obtain estate (6)
4 Odds against wooden vessels producing electric discharges (6)
8 In time to criticise a Prince's perk (7)
9 Strange person goes to occasional dance (7)
11 Parked and put a line there (10)
12 Nick is caught with joint (4)
13 Fabulous bird turns soldier into dog (5)
14 Father makes two points on sex (8)
16 Discontinue meeting group or change direction (8)
18 Unknown ship follows sailor into Gulf (5)
20 Take sail in dangerous submarine structure (4)
21 Fewer than half do take some form of insurance (5, 5)
23 Lift most of the secrecy (7)
24 Weariness caused by disturbance in bedroom (7)
25 One can obtain dry one from over there (6)
26 Interfere with state award (6)

DOWN

1 Took a lot of drink over to warehouse (5)
2 One has left to serve the Church (7)
3 Ring off due to nail, for example, penetrating flesh (9)
5 Productive field for Irishman's temper (5)
6 Committed people have gone across to Polish symbol (7)
7 QC is given one cape to show quality of fabric (9)
10 Ventured to take on wicked desperado (9)
13 Complain over item recorded for woodwork (9)
15 Ambitious but badly organised (9)
17 Do without the chorus (7)
19 The point of annual accounting is indeed old-fashioned: RIP (4, 3)
21 It goes back to the tenth (5)
22 Team leader gets over-excited by valuable discovery (5)

Solution to Puzzle No. 6,325



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

	Bid Price	Offer Price	+ or −	Yield Gross
[illegible]				

FT UNIT TRUST INFORMATION SERVICE

MGM Unit Managers Ltd
MGM House, Heene Rd, Worthing 01-623 8211

High Inc	296.0	314.8	—	4.64
(Accum Units)	345.9	389.3	—	4.64
UK Growth	364.9	389.3	—	2.10
(Accum Units)	388.6	413.4	—	2.19

MLA Unit Trust Management
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 674751

MLA Gen. Tst.	43.2	45.7	—	1.65
MLA Income Trust	57.3	60.7	—	5.20
MLA Int	63.0	66.7	—	0.79
MLA Gilt Unit Tst	26.0	26.7	—	9.73
MLA European Trust	34.5	36.5	—	0.68
MLA American Tst	27.4	29.0	—	0.86
MLA Emerging Mkts. Tst.	24.0	25.4	—	0.70

ManuLife Management Ltd
St George's Way, Stevenage 0438 356101

Gilt&Fxd Int	122.6	126.9	—	6.89
Growth Units	103.0	109.5	—	2.49
High Income Unit	145.4	154.5xd	—	3.82
High Yielding Gilt Uts	61.7	65.4xd	—	8.46
Intl Growth Unit Tst	154.8	164.5xd	—	0.19
UK Smaller Cos.	115.8	123.1	—	1.51
North American	90.5	93.8	—	0.35
Far East	140.4	149.2	—	0.02

Mayflower Management Co Ltd
No. 1 London Bridge, London, SE1 9QU 01-378 7000

Income April 13	329.0	333.0	—	3.36
General April 13	245.8	261.5	—	1.87
International April 13	147.6	157.1	—	0.67
Global Inc Fd April 13	48.0	51.1	—	5.19

Medical Investments Limited
4 Sandys Row, London E1 7HW. 01-247 1167/8/9

Health Fund	49.2	51.7	—	—

Mencap Unit Trust Mngrs Ltd (a)(c)(g)
Unicorn Hse, 252 Romford Rd, E7 01-534 5544

Mencap	177.3	187.4xd	—	3.88

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames 0491 576868

International Growth	310.0	330.9	+0.4	0.96
Income	244.0	259.9	+4.6	3.45
Worldwide Recovery	169.4	180.8	+0.4	1.62
American Growth	72.9	72.9	-0.1	0.88
Intl. Emerging Co.	93.8	100.2	-0.7	0.48
Far East Growth Fd	104.8	111.9	-0.3	0.69
European Growth Fd	63.9	68.2	-0.9	1.04

Prolific Unit Trust Managers Limited.
222 Bishopsgate, London EC2 01-247 7544/7

Prolific American Inc	57.8	61.5	-0.1	3.80
Prolific C'vert & Gilt	122.9	130.8	+1.1	4.42
Prolific Euro Gth&In	51.3	54.9	-0.1	2.47
Prolific Extra Inc	124.9	132.9	+1.4	3.46
Prolific Far East	212.8	227.6	-3.0	—
Prolific High Inc	84.4	89.9xd	+0.9	3.22
Prolific Intl	148.9	158.9	-0.5	0.20
Prolific N. Amer	129.4	138.4xd	-0.7	—
Prolific Spec. Sits	104.1	110.8	+1.5	0.48
Prolific Technology	145.3	155.5	-0.1	—

Providence Capital Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG 01-749 9111

Japan Inc	100.2	106.6xd	-1.4	—
Japan Acc	100.3	106.8	-1.5	—
Worldwide Inc	78.3	82.9	-0.3	1.07
Worldwide Acc	79.7	84.4	-0.3	1.07
European Tst Inc	93.2	99.2xd	-1.1	0.34
European Tst Acc	93.9	99.9	-1.1	0.34
North American Inc	62.5	66.5	+0.1	1.31
North American Acc	63.3	67.4	+0.1	1.31
UK Equity Inc	85.5	90.5	+1.0	1.82
UK Equity Acc	89.3	94.5	+1.0	1.82
UK High Inc Eqty Inc	63.8	67.6	+0.8	4.52
UK High Inc Eqty Acc	65.1	68.9	+0.8	4.52
Hong Kong Trust	46.5	49.3	-0.6	0.35
Swiss Equities Trust	45.5	49.2	-0.4	1.89

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

PM Equity Growth	105.0	111.8	+1.4	0.65
PM Income and Growth	93.9	99.9	+1.0	3.19

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

M & G Group—Contd.

Managed (Acc)	443.8	466.1	−2.8	—
PPP Fund (Cap)	312.2	327.9	−2.4	—
PPP Fund (Acc)	435.8	457.7	−3.4	—
Pacific (Cap)	259.6	272.7	−1.1	—
Pacific (Acc)	362.4	387.6	−1.6	—
Property (Cap)	132.2	138.9	.....	—
Property (Acc)	184.5	193.8	.....	—
Recovery (Cap)	206.1	216.5	−0.8	—
Recovery (Acc)	287.7	302.2	−1.1	—
UK Income (Cap)	117.0	123.0	−0.5	—
UK Income (Acc)	163.3	171.6	−0.7	—
Personal Pension (Acc)	1747.8	1760.5	−12.7	

MGM Assurance
MGM House, Heene Rd, Worthing 0903 204631

UK Equity	227.5	239.5	+2.4	—
Do. Accum	254.8	268.3	+2.8	—
Special Situations	204.9	215.7	+0.4	—
Do. Accum	229.4	241.5	+0.4	—
North American	176.6	185.9	+0.3	—
Do. Accum	197.7	208.2	+0.4	—
Pacific Basin	321.8	338.8	−3.4	—
Do. Accum	360.3	379.3	−3.7	—
Fixed Interest	218.3	229.8	+0.2	—
Do. Accum	244.5	257.4	+0.3	—
Property	117.5	123.7	.....	—
Do. Accum	131.6	138.6	.....	—
Deposit	112.4	118.4	+0.1	—
Do. Accum	125.9	132.6	+0.1	—
Managed	211.9	223.1	+0.8	—
Do. Accum	238.4	251.0	+0.9	—

Pension Funds

National Mutual of Australasia

National Provident Institution

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	1987 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
100 11/32	99 15/32	Treas. 10pc 1987	100 1/4 xd	.....	9.99	8.88
99 1/4	97 1/16	Treas 3pc 1987	99 13/32	+ 1/32	3.02	7.17
101 7/8	100 7/8	Treas. 12pc 1987	101 11/16	+ 1/32	11.81	8.30
99 3/4	97 11/16	Treas 7 1/4pc 1985-88‡‡	99 11/16	.....	7.77	8.19
102 1/4	99 13/16	Exch 10 1/2pc '88	102 xd	.....	10.29	8.32
101 13/32	98 15/32	Treas 9 3/4pc Cv '88	101 1/16 xd	.....	9.61	8.30
96 7/8	93 1/16	Transport 3pc '78-88	96 15/32	- 1/16	3.10	5.89
101 5/8	98 1/8	Treas. 9 1/2pc '88	101 1/2	.....	9.36	8.39
105 11/16	101 1/16	Treas 11 1/2pc 1989	105 1/32	- 1/16	10.96	8.40
102 7/16	97 15/16	Treas 9 1/2pc Cnv 1989	102	- 1/16	9.32	8.37
94 3/4	89 3/4	Treas 3pc 1989	94 5/8 xd	+ 1/16	3.17	5.88
104 3/4	99 11/16	Treas 10 1/2pc 1989	104 1/16 xd	- 1/32	10.10	8.42
103 1/16	98 1/2	Exch 10pc 1989	103 1/16	.....	9.70	8.45
105 3/4	100 5/8	Exch 11pc 1989	105 1/16	- 1/32	10.44	8.43
95 13/16	89 1/8	Treas 5pc 1986-89	95 13/16	+ 1/8	5.22	6.94
108 1/16	100 5/8	Exch 10 1/4pc Cv '89	107 xd	.....	9.58	7.14
111 1/8	105 5/8	Treas 13pc 1990‡‡	110 11/16	+ 1/32	11.75	8.45
106 1/2	100 11/16	Exch 11pc 1990‡‡	106 1/16	.....	10.37	8.48
110 1/16	104 13/16	Exch. 12 1/4pc 1990	110 1/16	+ 1/32	11.36	8.46
91 13/16	84 1/2	Treas. 3pc 1990	91 13/16 xd	+ 1/32	3.27	6.06
100 1/32	93 15/16	Treas 8 1/4pc 1987-90‡‡	99 7/8 xd	- 1/8	8.25	8.15
105	97 1/2	Treas. 10pc Cv 1990	104 5/8	+ 1/32	9.57	8.45
89 13/16	81 1/16	Exch 2 1/2pc 1990	89 13/16 xd	+ 1/16	2.79	5.83
110 1/2	103 3/4	Treas 11 3/4pc 1991	109 13/16	- 1/8	10.69	8.54
95 3/8	87 3/4	Funding 5 3/4pc '87-91‡‡	95 3/8	+ 1/16	6.03	7.14
88 13/16	80 3/4	Treas. 3pc 1991	88 11/16 xd	+ 1/16	3.38	6.20
110 1/4	100 1/2	Treas 10pc Cv '91 ‡‡	109 1/32	+ 1/32	9.17	7.44
109 3/4	101 1/2	Exch. 11pc 1991	109 1/4	- 1/32	10.07	8.47
116 1/16	108 1/4	Treas 12 1/4pc 1992‡‡	115 13/16	- 1/32	11.00	8.56
106 1/16	97 13/16	Treas 10pc 1992	105 5/8	- 1/32	9.47	8.53
108 13/16	99 13/16	Treas 10 1/2pc Cv 1992‡‡	107 13/16	- 1/32	9.76	8.58
		Five to Fifteen Years				
115 7/8	106 1/8	Exch. 12 1/4pc '92	115 1/16	- 1/32	10.65	8.65
121 1/16	111 3/4	Exch 13 1/2pc 1992	120 1/32	- 1/16	11.23	8.67
107 1/8	97 13/16	Treas 10pc 1993‡‡	106 1/16	- 1/32	9.43	8.65
118 1/16	108 13/16	Treas 12 1/2pc 1993‡‡	117 1/16	- 1/32	10.64	8.75
95 7/8	82 3/4	Funding 6pc 1993‡‡	95 7/8	+ 1/2	6.26	6.80
125 1/8	114 13/16	Treas 13 3/4pc 1993‡‡	124 11/16 xd	- 1/32	11.07	8.77
129 13/16	119 1/8	Treas 14 1/2pc 1994‡‡	129	.....	11.25	8.75
124 13/16	113 13/16	Exch 13 1/2pc 1994 ‡‡	123 15/16	- 1/32	10.90	8.82
107 5/8	97 13/16	Treas. 10pc Ln. 1994	106 13/16	- 1/32	9.38	8.72
120 1/16	109 3/4	Exch. 12 1/2pc 1994	119 1/32	- 1/32	10.49	8.85
103 3/4	92 13/16	Treas 9pc 1994‡‡	102 13/16 xd	+ 1/16	8.90	8.56
118 1/4	107 3/4	Treas 12pc 1995	117 1/16	- 1/32	10.23	8.85
82 13/16	76	Exch 3pc Gas 90-95	81 13/16	+ 1/32	3.66	5.86
109 1/16	98 1/16	Exch. 10 1/4pc 1995	108 1/16	- 1/16	9.47	8.81
123 13/16	112 1/16	Treas 12 3/4pc 1995‡‡	122 7/8 xd	- 1/16	10.38	8.85
130 13/16	118 7/8	Treas. 14pc '96	129 5/8	- 1/16	10.81	9.01
102 13/16	92 13/16	Treas 9pc 1992-96‡‡	101 3/4	.....	8.84	8.51
139 1/16	126 3/4	Treas 15 1/4pc 1996‡‡	138 13/16	- 1/16	11.02	8.92
127 13/16	116 1/16	Exch 13 1/4pc 1996‡‡	126 13/16 xd	- 1/32	10.47	8.89
87 13/16	81 1/4	Redemption 3pc 1986-96	86 13/16	- 1/32	3.40	4.75
108 1/16	96 13/16	Conversion 10pc 1996	107 1/16 xd	- 1/32	9.32	8.83
128 13/16	116 1/2	Treas 13 1/4pc 1997‡‡	127 13/16	- 1/16	10.40	8.96
111 13/16	100	Exch 10 1/2pc 1997	110 13/16	- 1/8	9.51	8.88
101 1/16	90 1/4	Treas 8 3/4pc 1997‡‡	100 1/16	+ 1/16	8.75	8.74
100 3/4	95 13/16	Tr. 8 3/4pc '97 B ‡‡	100 1/16	+ 1/16	8.75	8.75
140 1/16	126 7/8	Exch 15pc 1997	138 13/16	- 1/32	10.80	9.12
106 13/16	95 3/4	Exch. 9 3/4pc 1998	105 13/16	- 1/32	9.21	8.89
88 13/16	78 13/16	Treas 6 3/4pc 1995-98‡‡	88	+ 1/16	7.67	8.44
145 13/16	131 7/8	Treas. 15 1/2pc '98‡‡	144 1/2	- 1/32	10.73	9.11
122 13/16	109 13/16	Exch. 12pc 1998	122 3/8 xd	- 1/32	9.88	8.97
106 13/16	95 1/16	Treas 9 1/2pc 1999‡‡	105 1/16	+ 1/32	9.03	8.77
124 13/16	111 13/16	Exch. 12 1/4pc 1999	123 1/16	.....	9.91	8.97
113	101	Treas. 10 1/2pc 1999	111 7/8 xd	.....	9.38	8.86
111 1/8	99 1/8	Conversion 10 1/4pc 1999	110 1/16 xd	+ 1/32	9.30	8.87
32 3/4	30	Tr 8 1/2pc 2000(30pd)‡‡	31 13/16	+ 1/32	8.56	8.58
103 1/16	91 3/4	Conversion 9pc 2000‡‡	102 1/4	+ 1/32	8.81	8.71
131 3/4	117 13/16	Treas. 13pc 2000	130 1/32	+ 1/16	9.99	9.04
110 1/8	98 1/16	Treas 10pc 2001	109 3/4	+ 1/16	9.16	8.83
134 13/16	121 3/4	Treas. 14pc '98-01	133 13/16 xd	+ 1/16	10.49	9.11
108 13/16	96 1/8	Conversion 9 3/4pc 2001	107 13/16	+ 1/32	9.07	8.01
122 5/8	110 1/16	Exch. 12pc '99-02	121 13/16	- 1/32	9.88	8.99
110 13/16	98 13/16	Conversion 10pc 2002	109 13/16	+ 1/32	9.11	8.81
		Over Fifteen Years				
109	96 13/16	Treas 9 3/4pc 2002	107 13/16	- 1/32	9.04	8.81
103	96	Exch. 9pc 2002	101 13/16	- 1/4	8.84	8.77
136 13/16	123	Treas. 13 3/4pc 2000-03	135 13/16	- 1/4	10.12	9.04
111 1/16	98 1/8	Treas 10pc 2003	110 13/16	- 1/4	9.06	8.78
121 13/16	108 7/8	Treas. 11 1/2pc 2001-04	120 13/16	- 1/32	9.52	8.86
111 13/16	98 13/16	Treas. 10pc 2004	110 13/16 xd	- 1/32	9.04	8.78
59 1/8	51 3/4	Funding 3 1/2pc '99-04	58 13/16	- 1/16	5.98	7.98
107 13/16	95 1/2	Conversion 9 1/2pc 2004	106 13/16	- 1/32	8.92	8.76
107 3/4	95	Conversion 9 1/2pc 2005	106 13/16	- 1/32	8.91	8.76
116 1/4	103 1/8	Exch. 10 1/2pc 2005	115 13/16	- 1/32	9.08	8.76
132 13/16	118	Treas. 12 1/2pc 2003-05	131 13/16 xd	- 1/8	9.50	8.82
94 13/16	83 1/16	Treas. 8pc 2002-06‡‡	93 13/16	- 1/32	8.54	8.67
		Tr. 8pc '02-06'A'(30pd)‡‡e	94 3/4	.....	8.44	8.56
110 1/4	97 1/8	Conversion 9 3/4pc 2006	108 13/16 xd	- 1/32	8.95	8.78
126 1/4	111 7/8	Treas. 11 3/4pc 2003-07	124 13/16	- 1/32	9.41	8.80
99 1/8	87 13/16	Treas 8 1/2pc 2007 ‡‡	98 1/16	- 1/32	8.66	8.69
142 1/16	126 1/16	Treas. 13 1/2pc '04-08	140 13/16	- 1/8	9.60	8.82
104 13/16	94 1/4	Treas. 9pc 2008 ‡‡	103 1/16	- 1/32	8.73	8.67
94 13/16	82 7/8	Treas 8pc 2009	93 13/16	- 1/8	8.55	8.64
69 3/4	61 1/16	Treas. 5 1/2pc 2008-12‡‡	68 13/16	- 1/8	7.98	8.50
91 7/8	81	Treas. 7 3/4pc 2012-15‡‡	90 13/16	- 1/4	8.54	8.63
134 13/16	118 13/16	Exch. 12pc '13-'17	133 13/16 xd	- 1/32	9.00	8.75
		Undated				
45 1/2	40 1/8	Consols 4pc	45 1/16	- 1/32	8.85	—
40 7/8	35 1/2	War Loan 3 1/2pc‡‡	40 13/16 xd	.....	8.70	—
51 1/8	47	Conv. 3 1/2pc '61 Aft.	51	+ 1/16	6.87	—
34 1/8	30 1/4	Treas. 3pc '66 Aft.	33 13/16	.....	8.86	—
28 7/8	25 1/4	Consols 2 1/2pc	28 13/16	- 1/16	8.88	—
28 1/4	25	Treas. 2 1/2pc	28 1/2	- 1/8	8.80	—

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THIRD MARKET

1987 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
475	180	Abelson Group 10p	375xd	−10	3.5	2.7	1.3	40.3
35	28	Aberdeen Am Pet 10p	32		—	—	—	—
125	110	Allied Ins. Brokers	121xd	−2	L3.5	2.5	4.1	14.0
65	45	Catalyst Comms. 5p	62		—	—	—	—
78	47	Corton Beach 10p	75	+2	—	—	—	37.3
197	102	Edensprng Investment	195			—	—	—
63	31	Eglinton Oil Ir.5p	39	+½	—	—	—	—
41	17	Do. Warrants	25	+1	—	—	—	—
43	17	Publishing Hldgs.5p	43	+6	—	—	—	24.9
58	45½	Theme Holdings	47	−1	1.0	ϕ	2.9	ϕ
138	111	Unit Group	113		R4.6	2.5	5.6	(8.1)

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- • Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ‡ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Stock	Price	+ or −	Stock	Price	+ or −
Albany Inv 20p	76xd	.....	Fin 13% 97/02	£115¾	−¼
Craig & Rose £1	£16¼	.....	Arnotts	373xd	.....
Finlay Pkg 5p	79xd	+1	CPI Hldgs	58	+2
Holt (Jos) 25p	930xd	−2	Carrol Inds.	145	+17
IoM Stm. £1	106	.....	Dublin Gas	18	.....
			Hall (R. & H.)	100	.....
IRISH			Heton Hldgs.	28	.....
Fund 11¼% 1988	£100¼	.....	Irish Ropes	160	+10
Nat. 9¾% 84/89	£98⅝	.....	Unidare	395	−10

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	35	NEI	8
Amstrad	16	Nat West Bk	55
BAT	47	P & O Dfd	55
BOC Grp	42	Plessey	20
BSR	12	Polly Peck	20
BTR	30	Racal Elect	20
Babcock	19	RHM	30
Barclays	47	Rank Org Ord	55
Beecham	48	Reed Intnl	42
Blue Circle	62	STC	20
Boots	25	Sears	12
Bowaters	37	TI	55
Brit Aerospace	58	TSB	8
Brit. Telecom	20	Tesco	42
Burton Ord	23	Thorn EMI	50
Cadburys	22	Trust Houses	20
Charter Cons.	30	Turner Newall	24
Comm Union	29	Unilever	150
Courtaulds	35	Vickers	35
FNFC	20	Wellcome	50
Gen Accident	80	**Property**	
GEC	13	Brit Land	17
Glaxo	110	Land Securities	30
Grand Met	40	MEPC	32
GUS 'A'	100	Peachey	30
Guardian	85	**Oils**	
GKN	30	BOM	3½
Hanson Tst.	15	Brit Petroleum	60
Hawker Sidd	50	Burmah Oil	38
ICI	80	Charterhall	4
Jaguar	52	Premier	4
Ladbroke	40	Shell	75
Legal & Gen	25	Tricentrol	11
Lex Service	35	Ultramar	17
Lloyds Bank	48	**Mines**	
Lucas Inds	55	Cons Gold	65
Marks & Spencer	18	Lonrho	24
Midland Bk	55	Rio T Zinc	65
Morgan Grenfell	35		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates: *First Dealings	Option Declarations	Last Dealings	Account Day
Apr 27	May 7	May 8	May 18
May 11	May 28	May 29	Jun 8
Jun 1	Jun 11	Jun 12	Jun 22

* New time dealings may take place from 9.00 am two business days earlier.

Equities rebound in sluggish trading as Gilt-edged auction passes off smoothly

It was another sluggish session in the UK securities markets yesterday. Equities opened very firmly but proved unable to extend their gains later, while Gilts quietly awaited the outcome of the day's sale of Treasury securities in the first of the Bank's new-style auctions.

The early rise in equities, which took the FT-SE index up by 20 points, largely reflected buying of a clutch of the blue chips, on the back of investment recommendations from brokerage houses. Also helping the mood was the expectation that today's (Thursday) newspapers will carry the latest opinion poll surveys, which the City believes will remain favourable to the Government.

But once again, the action was soon over, and equities closed at almost the same levels as they showed at 10.30 am. The final reading on the FT-SE index showed a net gain of 20.1 at 2163.4. At 1680.5, the FT Ordinary gained 10.1.

Glaxo, which has been the market's favourite share for some time, received a further boost from brokers Mackenzie. Also standing out in the initial surge were **Beecham, Imperial Chemical Industries, Shell and Unilever.**

The equity sector made no response to the successful outcome of the Treasury auction sale — nor, indeed, did the Gilt-edged sector.

London paid little heed to a dull start on Wall Street. Oil shares stood out well as crude oil prices jousted with $19 a barrel. Also satisfying for this sector was British Petroleum's success in obtaining 95 per cent of the Standard Oil shares.

Insurance issues moved up as the first results from the sector reached the marketplace. But banking stocks continued to show some uncertainty, with Lloyds a dull spot.

Government bonds firmed up as the market waited for the news, at 1 pm, of the auction bids submitted at 10.00 am. Marketmakers pronounced themselves satisfied with the auction, alhough some UK houses thought the "tail," or spread between the highest and lowest bids, was longer than expected.

Bond prices turned easier after the auction to show minor losses, as the market squared itself up for the further sales of Treasury stock to be held today—£1bn of securities maturing 2002-06.

Jaguar shares weakened as US reports of a mechanical problem with the new XJ6 saloon pre-empted a statement from the car manufacturer recalling the 4,800 vehicles sold in the UK for modification of the brake power boost system. The component at fault is believed to be privately manufactured, and not by a leading public group.

It has been modified already in models scheduled for shipment to the US. Jaguar shares fell against the general trend, but recovered from the lowest level of 552p to close 8 down on the day at 560p.

Reed International advanced 21 to 455p as the company announced it is considering the sale of its paint and DIY group which includes Crown Paint and Polycell in order to concentrate resources on the remaining businesses.

Key members of the division have approached the Reed board with a view to a management buy-out. A number of other potential purchasers have also expressed an interest in acquiring the group.

Barclays were outstanding in the big four banks and jumped 15 to 542p in the wake of reports of a brokers bullish circular.

TSB attracted a substantial business, with more than 20m shares traded, and touched 94p before settling a net 2½ up at 93p; dealers said the shares had substantially underperformed all the other major issues of the past year or so.

News that Kerry Packer's Consolidated Press International had built up a 4.4 per cent stake in merchant bank **Hill Samuel**—the fourth separate Australian or New Zealand group to take a substantial stake in the bank—boosted Hill Samuel shares 9 to 508p. Other merchant banks also moved ahead, led by **Kleinwort Benson**, 19 up at 509p following a brokers lunch. **Mercury International** put on 12 to 372p.

A buoyant insurance sector showed **Commercial Union** little changed at 332p, following first quarter results in line with analysts forecast. **General Accident**, reporting first quarter figures today, jumped 23 to 948p and **Royals** jumped 20 to 919p.

Breweries tended to miss out in the renewed upsurge. Small investment interest took **Bass** up 7 to 969p, the interim figures are due on Wednesday, and **Guinness** improved 5 to 338p. The latter group has placed its 14.5 per cent holding, some 43.3m shares, in Greatbrand 5¾ per cent Convertible preference shares, raising some £43m.

Cement issues were in sparkling form and, with stock in short supply, **Blue Circle** gained 27 to 905p, while **Rugby Portland** rose 8 to 246p. **RMC** moved up 16 to 886p in a restricted market. Elsewhere, **Meyer International** put on 11 to 385p following publicity given to a broker's circular. **Bryant Holdings** gained 7 to 97p reflecting bid speculation and reports that some 2.3m shares had been placed around the 88p per share level.

In the Chemical sector, **Brent** gained 15 to 189p reflecting the confident statement at the annual meeting, while **Rentokil** rose 12 to 206p in reply to a "chart buy" signal.

Stores made rapid progress at the outset, on renewed strong buying fuelled by hopes of further reductions in interest rates. However, subsequent profit taking reduced gains in many places and the majority leaders were left with only minor improvements on balance.

Sears, *helped by a good Press* reception given to the 17 per cent rise in profits announced on Tuesday, hardened a couple of pence to a 1987 high of 156¼p after a turnover of 7.7m shares. Doubled profits failed to produce any initial substantial demand for **Ratners**, which held around 341p before closing 7 up at 347p. A firm mail orders section showed **Freemans** 13 higher at 500p on bid rumours.

A buoyant electricals sector was highlighted by **Plessey** which spurted 10 to 237p, after 239p, after a turnover of 18m shares on strong buying ahead of the preliminary figures which are expected before the end of the month. **GEC**, one of the best performers in the electrical leaders in recent days amid talk that Hanson Trust could be accumulating a substantial stake in the company, rose 3 more to 229p. **Cable and Wireless**, with turnover exceeding 8.5m shares, jumped 14½ to 396½p with traders citing a stock shortage as boosting the shares. The doubled profits boosted **Western Selection** 8 more to 111p, after 112p.

Among the Engineering leaders, **GKN** drifted off to close a few pence lower at 326p as the market failed to derive any inspiration from the chairman's statement at the annual meeting. Elsewhere, **Whessoe** closed 4 off at 104p following the half-year loss and passing of the interim dividend.

Buyers returned for selected Food Manufacturers. **Northern Foods**, a relatively subdued market of late, picked up 7 at 310p, while **Rowntree Mackintosh** put on 10 to 534p. **Ranks Hovis McDougall** continued to forge ahead on takeover speculation and closed 13 higher at 330p; some of the buying was thought to come from New Zealand sources. **Squirrel Horn**, which announced a vendor placing on Tuesday to finance an acquisition, put on 10 to 115p. Among Retailers, **J. Sainsbury** were back in vogue and closed 14 higher at 578p. **Bejam** were 6½ up at 183½p on revived bid hopes, but **Albert Fisher** slipped 4½ to 169½ following details of a proposed £82m rights issue.

Garfunkels, some 40 points higher on Tuesday following a takeover approach, gained 19 more to 253p, after 256p: possible bidders **Kennedy Brookes** rose 20 to 358p.

Gains in the miscellaneous industrial leaders were usually limited to a few pence, with **BTR** closing 2½ firmer at 327p following the chairman's statement at the annual meeting. Elsewhere, **British Airways**, encouraged by a short term recommendation in a comprehensive review of the company by Hoare Govett's analyst Stephen Clapham, were actively traded (some 16m shares changed hands) before closing 3½ to the good at 172p. BA is scheduled to reveal interim figures next Tuesday. **J. H. Fenner**, in which Emerson Electric of the US has a sizeable stake, met with speculative demand and put on 13 to 201p. **British Aerospace**, in contrast, drifted back 17 to 638p as some analysts took a cautious stance on prospects following the annual meeting. The absence of any news on Government aid for the new Airbus project remained an inhibiting factor. Demand revived **Cookson, 11 to the good at 701p, and Avis Europe**, 15 higher at 369p. **Norcros** took a distinct turn for the better and put on 11 to 385p, while among the anti/Aids related stocks, **Wellcome** advanced 5 to 429p and **London International** 9 to 296p. Revived investment demand left **Williams Holdings** 14 higher at 783p. **Extel** closed 5 firmer at 482p following the formal offer document from United Newspapers. Dealings were temporarily suspended in **DSC** at 96p pending publication of an announcement.

Owners Abroad gained 17 to 115p boosted by news of the International Leisure stake in the company and confirmation of the possible association with **Tjaereborg**.

Commercial vehicle manufacturer **ERF** responded to a mid-week stockmarket letter, which suggested longer-term recovery potential, and closed 5 up at 95p. The combined drab performances of Jaguar and GKN tilted the odds against **Lucas Industries**, down 10 at 589p, but smaller component groups were steady to firm. Distributors were led higher by **Perry**, which advanced 13 further to 286p, and **Glanfield Lawrence**, 9 dearer at 113p. **Godfrey Davis** rallied 5 to 178p but **William Jacks** lost 7 more to 63p.

Current Paper/Printing favourites progressed further. **Delyn Packaging** rose 32 more to 462p and **Hunterprint** 9 further to 460p. **DRG**, which is acquiring the 50 per cent of Sellotape Industries (New Zealand) not already owned, put on 10 to 457p, while **Bunzl** added 7 at 247p. **Eucalyptus Pulp** rose a point to £17, **FKB** gained 20 to 340p and **Monotype** 17 to 220p. Awaiting today's mid-term statement, **Saatchi & Saatchi** advanced 11 to 654p, while **Bosse Massimi** responded to the proposed acquisition of US concern Ammirati & Puris. This involves an open offer of nearly 5m new shares at 340p per share compared with yesterday's price in the market of 385p, up 10.

Preliminary profits at the top of market estimates combined with a higher than expected net asset value prompted sustained demand for Property major **Land Securitis** which closed 17 higher at 469p. Other Properties went ahead in sympathy with **MEPC**, 19 up at 448p, and **British Land**, 13½ to the good at 240½p. **Greycoat** put on 23 to 371p, while **Peachey**, the sector's latest takeover favourite, rose 11 to 425p. **Control Securities** added 6 to 44p on speculation about an imminent deal. **Mountleigh** firmed 4 to 270p. **Southend Stadium** gained 26 more to 667p.

P & O regained investors' appeal following the group's first Eurobond issue. It intends to raise £75m via a 15-year bond offering and after the news the shares were 17 higher at 647p. **Ocean Transport** rose 5 to 313p but **Walter Runciman** slipped 8 to 205p on consideration of the annual results.

Textile interest centred on a handful of groups including **Palma**, 8 up at 98p after the annual meeting, **Hugh Mackay**, 8 dearer at 193p, and **H. Ingram**, which rose 10 to 158p. **Glen Abbey** were raised 10 to 185p and **Tomkinsons** 15 to 430p, the latter ahead of Tuesday's interim results.

Rothmans International made a spirited revival from a quiet period to close 7 higher at 261½p. **Leda IT** capital shares went 7 higher to 275p on reorganisation proposals, which include an offer from American Express Bank and a £25m rights issue.

Financial Trusts maintained their good form with **MAI**, 542p, **M & G**, 292p, and **Johnson Fry**, 343p, all rising around 7. **Tyndall** also performed well, gaining 17 to 390p, while **AC Holdings** jumped 30 more to 575p. Awaiting today's preliminary statements, **British & Commonwealth** remained at 432p but associate **Exco** slipped 8 to 345p. **Comprehensive Financial Services** eased to 156p despite increased profits. **Candover Inv.** moved up late to 299p for a gain of 11.

Leading Oils gave a brighter performance having lost ground on Tuesday. **BP**, first-quarter figures due today, edged up 4½p to 342p helped by news of the *successful tender offer* for Standard Oil. **Shell**, also reporting first-quarter results today, hardened ⅛ to £13. **British Gas** picked up 2 at 111½p on renewed buying interest, while **Tricentrol** put on 3 to 101p following a "chart buy" signal. **Ultramar** touched 251p prior to closing 12 higher at 245p following the satisfactory first-quarter results.

Hopes that the group would announce good results shortly stimulated persistent support of **Harrisons and Crosfield**, which closed 23 up at 531p. **Inchcape** continued to prosper, gaining 16 to 676p, while **Lonrho** spurted 10½ higher to 288p encouraged by the possibility of a late-June listing in Tokyo; marketmakers appeared to be caught short of stock. **Polly Peck** improved further to 294p.

Gold mining shares moved higher in good turnover, largely in response to the renewed vigour in the bullion markets.

Traded options contracts totalled 66,257, made up of 45,551 calls and 20,706 puts. GUS attracted 4,488 calls and 7,519 puts, mirroring a buoyant stores sector while TSB, where the underlying shares have made strong progress in the past couple of days, showed 2,744 calls and only 45 puts.

Traditional Options

- First dealings May 5
- Last dealings May 15
- Last declaration August 6
- For Settlement August 17

For rate indications see end of Unit Trust Service

Money was given for the call of **FKI Electricals, Oceonics, Property Trust, Carless Capel, Norfolk Capital, Control Securities, Bridon, NEI, Acorn Securities, Hartogen, British Gas, Wellman, NMC, Ault and Wiborg, Freshbake Foods, Wiggins, Dares Estates, Mercantile House, Century Oils** and **Aran Energy**. A put was arranged in **Amstrad**, while double options were transacted in **Cliff Oil** and **Ault and Wiborg**.

FINANCIAL TIMES STOCK INDICES

	May 13	May 12	May 11	May 8	May 7	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	93.02	92.92	93.15	92.32	92.53	92.43	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	98.54	98.35	98.39	98.25	97.44	97.10	98.54 (13/5)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,680.5	1,670.4	1,686.9	1,658.7	1,628.0	1,320.0	1,686.9 (11/5)	1,320.2 (2/1)	1,686.9 (11/5/87)	49.4 (26/6/40)
Gold Mines	421.4	428.1	428.3	438.7	446.5	251.0	485.0 (24/4)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.41	3.44	3.41	3.47	3.54	4.14				
Earnings Yld.%(full)	8.20	8.20	8.13	8.27	8.39	10.25				
P/E Ratio (net) (*)	15.00	15.05	15.19	14.92	14.68	11.93				
SEAQ Bargains (5 pm)	46,728	52,941	62,147	55,938	43,878	—				
Equity Turnover (£m)	—	1599.60	1481.39	2124.67	1,599.50	680.93				
Equity Bargains	—	68,455	63,762	62,164	52,960	23,530				
Shares Traded (ml)	—	585.3	573.3	812.7	606.8	295.1				

S.E. ACTIVITY

Indices	May 12	May 11
Gilt Edged Bargains	189.4	190.8
Equity Bargains	443.6	413.1
Equity Value	3,233.2	2,994.3
5-Day Average		
Gilt Edged Bargains	196.1	200.4
Equity Bargains	380.6	357.1
Equity Value	3,296.6	3,091.2

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1683.9	1683.2	1683.8	1685.2	1682.3	1682.7	1685.4	1679.9

Day's High 1686.6. Day's Low 1679.4. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=14.67.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (261)

BRITISH FUNDS (8), FOREIGN BONDS (1), AMERICANS (3), CANADIANS (1), BANKS (1), BREWERS (3), BUILDINGS (10), CHEMICALS (6), STORES (16), ELECTRICALS (19), ENGINEERING (10), FOODS (13), HOTELS (3), INDUSTRIALS (38), INSURANCE (3), LEISURE (8), MOTORS (2), NEWSPAPERS (1), PAPER (12), PROPERTY (32), SHIPPING (2), SHOES (4), TEXTILES (2), TRUSTS (38), OILS (11), OVERSEAS TRADERS (7), MINES (6), THIRD MARKET. (1).

NEW LOWS (9)

AMERICANS (1), City Fed Fin Corp. BANKS (2), Banco de Bilbao, Cie B'cre. CHEMICALS (2), Leigh Interests, Schering AG. INSURANCES (2), Alexander & Alexander, Marsh McLennan. TRUSTS (1), Japan Asset Warrants. MINES (1), Bond Corp.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	3,300	169	+1	Jaguar	6,200	560	−8
Allied Lyons	2,700	436	−1½	Ladbroke	3,100	409	−3
Amstrad	5,100	208	+4	Land Securities	3,500	469	+17
Assoc. Brit. Foods	1,200	392	+2	Legal & Gen.	3,800	306	+9
Argyll Group	2,400	448	+9	Lloyds Bank	669	534	−1
BAT	1,200	544	+2	Lonrho	2,600	288	+10½
BET	670	262	+4	MEPC	2,400	448	+19
BOC	789	480	—	Marks & Spncr	2,500	252	+1
BPB Inds	331	775	+9	Midland Bank	1,000	678	−7
BPCC	1,400	325	+3	NatWest Bank	1,600	635	+2
BTR	3,900	327	+2½	Next	270	339	—
Barclays	2,900	542	+15	Pearson	2,400	622	+7
Bass	1,200	969	+7	P & O	2,100	647	+17
Beecham	2,600	519	—	Pilkington Bros	322	860	+2
Blue Circle	1,100	905	+27	Plessey	18,000	237	+10
Boots	2,400	302	+4	Prudential	400	933	+10
Brit. Airways	16,000	172	+3½	Racal	7,500	251	+3
Brit. Aero	8,300	638	−17	Rank Org.	401	733	−8
Brit. & Comm.	168	432	—	RHM	2,800	330	+13
Brit. Gas	30,000	111½	+2	Reckitt & Col	280	£10¼	+¼
Britoil	2,100	278	—	Redland	777	477	—
BP	10,000	342	+4½	Reed Intl.	3,100	455	+21
Brit. Telecom	7,000	306	−1½	Reuters	390	685	+5
Bunzl	1,700	247	+7	RMC	328	886	+15
Burton	1,400	323	+3	RTZ	464	£10⅝	—
Cable & Wire	8,100	396½	+14½	Rowntree Mac	1,900	534	+10
Cadbury Schwps	573	254	—	Ryl Bank Scotland	880	322	+1½
Coats Viyella	257	625	+3	Royal Insurance	2,200	919	+20
Comm. Union	8,300	332	−1	STC	1,100	285	+1
Cons. Gold	1,200	993	+19	Saatchi & Saatchi	633	654	+11
Cookson	694	701	+11	Sainsbury	889	578	+14
Courtaulds	766	445	+½	Sears	7,600	156½	+2
Dee Corpn	2,200	232	+6	Sedgwick	2,200	326	+6
Dixons Grp	2,900	414	+2	Shell Trans	4,600	£13	+⅛
English China Clays	594	442	+9	Smith & Nephew	1,800	166	+1½
Fisons	612	715	+8	Standard Chart	340	825	+2
Gen. Accident	1,300	948	+23	Storehouse	2,300	312	+6
Gen. Elect	8,000	229	+3	Sun Alliance	437	865	−8
Glaxo	4,100	£15½	+7/16	TSB	20,000	93	+2½
Globe Investment	1,000	166	−½	Tarmac	822	537	+1
Granada	869	344½	−½	Tesco	2,200	535	+4
Grand Met	3,100	521	+4	Thorn EMI	1,200	685	−2
GUS "A"	229	£13 7/16	+3/16	Trafalgar House	1,500	372	−1
Guardian R.E.	373	921	+13	T'house Forte	4,300	248½	+3½
GKN	5,000	326	−3	Unigate	680	396	+7
Guinness	9,300	338	+5	Unilever	128	£28	+⅛
Hanson Trust	3,000	163½	−1	United Biscuits	3,700	303	−2
Hawker Sidd	2,000	504	−7	Wellcome	1,500	429	+5
Hillsdown Hlgs	3,100	285	—	Whitbread "A"	1,400	369	−3
ICI	1,700	£14⅛	—	Woolworth	399	857	+7

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	59	38	16
Corporations, Dominion and Foreign Bonds	7	14	46
Industrials	693	258	596
Financial and Properties	256	85	251
Oils	34	22	57
Plantations	5	2	7
Mines	32	57	96
Others	72	74	95
Totals	1,158	550	1,164

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed May 13 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Tues May 12 Index No.	Mon May 11 Index No.	Fri May 8 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (211)	908.79	+0.9	7.28	2.92	17.42	9.07	901.08	904.55	891.37	720.00
2	Building Materials (27)	1140.14	+1.2	7.16	2.92	17.63	9.58	1127.09	1134.71	1116.84	795.91
3	Contracting, Construction (32)	1505.66	+1.0	7.30	3.17	18.67	18.65	1490.22	1492.78	1480.32	1198.85
4	Electricals (13)	2330.65	+0.5	5.73	3.32	23.43	31.62	2318.99	2319.25	2262.53	1959.89
5	Electronics (36)	2073.19	+1.4	7.19	2.11	18.34	12.00	2044.30	2039.37	1995.10	1644.40
6	Mechanical Engineering (60)	500.36	−0.1	8.41	3.46	15.15	7.03	501.01	502.22	497.52	407.80
8	Metals and Metal Forming (7)	497.76	+0.3	7.47	3.12	16.15	5.36	496.26	499.25	491.35	354.83
9	Motors (15)	336.61	−0.2	9.00	3.16	12.81	3.24	337.44	339.60	334.34	288.68
10	Other Industrial Materials (21)	1524.66	+1.1	6.05	3.24	19.84	18.43	1507.69	1525.08	1511.71	1311.68
21	CONSUMER GROUP (185)	1251.20	+1.1	6.09	2.58	21.20	8.29	1237.18	1247.45	1225.33	892.83
22	Brewers and Distillers (22)	1164.63	+0.5	7.55	2.90	16.84	5.09	1159.14	1158.92	1132.10	928.15
25	Food Manufacturing (25)	948.46	+1.0	7.35	3.12	17.94	10.90	938.82	945.38	936.93	657.00
26	Food Retailing (16)	2570.88	+1.7	5.59	2.35	24.52	11.45	2330.43	2378.28	2306.36	1858.98
27	Health and Household Products (10)	2329.55	+1.9	4.20	1.67	27.91	8.73	2287.09	2313.27	2269.00	1502.66
29	Leisure (31)	1312.74	—	5.92	3.22	22.27	14.64	1312.52	1320.64	1299.67	857.09
31	Packaging & Paper (15)	646.10	+1.6	6.08	2.55	21.42	4.97	636.20	633.12	631.82	463.42
32	Publishing & Printing (14)	3762.88	+1.8	5.76	3.01	22.21	33.22	3697.31	3717.77	3708.62	2339.99
34	Stores (36)	1092.63	+1.0	6.08	2.57	22.41	6.56	1081.77	1091.82	1069.57	853.12
35	Textiles (16)	725.07	+0.3	7.89	2.90	14.68	5.63	722.56	727.19	719.90	514.00
40	OTHER GROUPS (87)	1065.80	+0.5	7.67	3.14	16.44	8.19	1060.64	1072.41	1046.59	783.88
41	Agencies (17)	1464.34	+1.4	4.85	1.67	27.67	8.06	1444.43	1452.68	1432.94	0.0
42	Chemicals (21)	1315.94	+0.3	7.46	3.29	16.42	18.71	1312.48	1325.88	1295.72	873.78
43	Conglomerates (11)	1310.13	—	6.84	3.26	17.23	7.75	1309.38	1324.28	1318.96	0.0
45	Shipping and Transport (11)	2159.67	+1.8	7.08	3.68	17.97	23.04	2121.02	2153.01	2122.34	1543.52
47	Telephone Networks (2)	1172.65	+0.3	7.97	3.20	17.10	1.09	1169.65	1187.97	1134.37	886.83
48	Miscellaneous (25)	1394.29	+0.5	9.44	3.14	12.69	17.56	1386.97	1393.80	1372.60	1019.64
49	INDUSTRIAL GROUP (483)	1125.57	+0.9	6.82	2.82	18.70	8.72	1115.69	1124.57	1103.54	831.24
51	Oil & Gas (17)	2065.76	+1.0	5.56	4.47	23.31	37.06	2044.50	2081.41	2060.42	1179.14
59	500 SHARE INDEX (500)	1205.27	+0.9	6.63	3.06	19.26	11.20	1194.42	1205.71	1184.71	862.33
61	FINANCIAL GROUP(117)	737.23	+1.4	—	3.96	—	11.06	727.40	727.09	719.06	598.75
62	Banks (8)	777.91	+0.8	18.14	4.81	7.30	15.49	771.59	770.50	762.88	640.11
65	Insurance (Life) (9)	1031.19	+1.1	—	4.08	—	20.71	1019.95	1011.45	991.24	808.80
66	Insurance (Composite) (7)	546.65	+1.0	—	4.48	—	11.76	541.04	540.11	536.06	506.31
67	Insurance (Brokers) (9)	1238.84	+1.4	8.62	4.35	14.98	22.64	1221.28	1187.61	1162.38	1198.03
68	Merchant Banks (11)	380.66	+1.3	—	3.29	—	2.91	375.63	376.68	373.85	355.93
69	Property (46)	1094.79	+3.0	4.20	2.66	30.71	4.36	1062.72	1073.52	1059.98	749.79
70	Other Financial (27)	473.62	+0.4	6.97	3.21	18.25	3.23	471.97	474.66	474.01	347.80
71	Investment Trusts (94)	1004.07	+0.3	—	2.33	—	6.68	1001.09	1007.35	990.19	750.20
81	Mining Finance (2)	505.71	+0.8	6.05	3.28	19.45	6.79	501.92	496.82	502.72	291.30
91	Overseas Traders (11)	1034.01	+3.3	8.81	4.33	13.72	14.27	1001.29	995.23	987.27	698.10
99	ALL-SHARE INDEX(724)	1079.68	+1.0	—	3.18	—	10.93	1069.34	1077.35	1060.10	786.41

	Index No.	Day's Change	Day's High	Day's Low	May 12	May 11	May 8	May 7	May 6	Year ago
FT-SE 100 SHARE INDEX ♦	2163.4	+20.1	2168.9	2161.5	2143.3	2163.3	2126.5	2077.9	2086.5	1594.3

FIXED INTEREST

	PRICE INDICES	Wed May 13	Day's change %	Tues May 12	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	125.26	+0.02	125.24	—	4.38
2	5-15 years	146.80	—	146.80	—	5.03
3	Over 15 years	156.69	−0.23	157.05	—	5.16
4	Irredeemables	170.24	−0.02	170.27	—	6.07
5	All stocks	142.41	−0.04	142.46	—	4.88
	Index-Linked					
6	5 years	122.76	+0.20	122.52	—	0.83
7	Over 5 years	120.68	+0.27	120.36	—	1.17
8	All stocks	120.65	+0.26	120.34	—	1.11
9	Debentures & Loans	126.23	+0.25	125.92	—	3.79
10	Preference	87.12	+0.15	86.99	—	2.77

AVERAGE GROSS REDEMPTION YIELDS (Wed May 13; Tues May 12; Year ago (approx.))

			Wed May 13	Tues May 12	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	7.61	7.65	7.69
2		15 years	[illegible]	[illegible]	[illegible]
3		25 years	[illegible]	[illegible]	[illegible]
4	Medium Coupons	5 years	[illegible]	[illegible]	[illegible]
5		15 years	[illegible]	[illegible]	[illegible]
6		25 years	[illegible]	[illegible]	[illegible]
7	High Coupons	5 years	[illegible]	[illegible]	[illegible]
8		15 years	[illegible]	[illegible]	[illegible]
9		25 years	[illegible]	[illegible]	[illegible]
10	Irredeemables		8.73	8.73	8.64
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	2.21	2.26	3.37
12	Inflat'n rate 5%	Over 5 yrs	3.47	3.49	3.26
13	Inflat'n rate 10%	5 yrs	1.71	1.76	2.30
14	Inflat'n rate 10%	Over 5 yrs	3.37	3.39	3.11
15	Debs & Loans	5 years	9.63	9.58	10.12
16		15 years	9.95	9.98	10.07
17		25 years	9.99	10.04	9.93
18	Preference		10.39	10.41	10.32

♦Opening index 2164.3; 10 am 2165.5 11 am 2165.7; Noon 2168.0; 1 pm 2166.3; 2 pm 2166.7; 3 pm 2168.1; 3.30 pm 2163.3; 4 pm 2162.3

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		Calls July	Calls Oct.	Calls Jan.	Puts July	Puts Oct.	Puts Jan.
Allied Lyons (*436)	360	78	90	98	1	5	8
	390	52	67	78	4	9	13
	420	30	43	52	12	17	20
	460	12	25	32	38	40	43
Brit. Airways (*175)	140	36	38	49	1½	3	5
	160	21	28	35	6	9	13
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls May	Calls Aug.	Calls Nov.	Puts May	Puts Aug.	Puts Nov.
Guinness (*335)	280	58	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	300	38	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	330	10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	360	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ladbroke (*409)	373	38	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	403	13	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	443	2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

May 12. Total Contracts 66,257. Calls 45,551. Puts 20,706
FT-SE Index Calls 819 Puts 939
*Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] 10p	205	......	R5.4	2.5	3.6	14.9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] 10p	150	+8	R3.2	3.7	2.8	12.5
[illegible]											

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (Continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (Continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO
Closing prices May 13

[illegible]

MONTREAL
Closing prices May 13

[illegible]

Total Sales 8,231,473 shares

Indices

NEW YORK

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

TORONTO

[illegible]

NYSE-Consolidated 1500 Actives

[illegible]

Advances 512 Declines 748

[illegible]

LONDON — Most Active Stocks
Tuesday, May 12, 1987

	Stocks Traded	Closing Price	Change on Day
Brit Gas	30.6m	111½	+ 2
TSB	20.6m	93	− 2½
Plessey	18.8m	237	−18
Brit Airways	16.8m	172	+ 3½
BP	10.0m	342	− 4½
Guinness	9.3m	338	+ 5
Com Union	8.3m	332	− 1
Brit Aero	8.3m	638	−17
Gen Elect	8.0m	229	+ 3
Sears	7.5m	156½	+ 2

TOKYO — Most Active Stocks
Wednesday, May 13, 1987

	Stocks Traded	Closing Prices	Change on Day
Nippon Steel	54.81m	378	−10
Nisshin Steel	51.63m	407	+ 2
Asahi Chem	44.47m	1,260	+68
Kobe Steel	26.55m	314	−20
Nippon Mining	26.32m	699	+ 5
Kubota	23.39m	668	−10
Tokyu Land	21.81m	1,050	−10
Mitsui & Co	21.90m	815	−24
Marubeni Corp	20.51m	500	+ 6
Toshiba	17.56m	776	− 10

Amer to raise $58m in scrip and bonds

By Olli V. Virtanen in Helsinki

AMER, the Finnish consumer products group, plans to raise a total of FM 250m ($58m) through a scrip and rights issue and a bond with warrants.

The share issue will consist of a one-for-five scrip issue totalling FM 46m while the one-for-five rights issue at FM 120 a share will raise Amer's share capital by FM 23m.

In addition there will be a FM 2m issue directed to Amer employees. The price of that issue will be FM 130 a share with maximum 100 shares for each employee.

The FM 100m bond issue to Finnish investors will mature in 7 years with an interest of 5.5 per cent. The issue price is 100 per cent. Each bond, with a nominal value of FM 1,000 will carry five warrants each of which entitles the holders to subscribe to one Amer's new restricted "A" share.

These terms will be finalised at an extraordinary general meeting on *May 25*.

Alcan to build Quebec smelter in phases

BY ROBERT GIBBENS IN MONTREAL

ALCAN Aluminium is going ahead with construction of the 200,000 tonnes yearly Laterriere smelter north of Quebec City, but in three phases in order to preserve maximum flexibility.

The Laterriere project, originally to cost about $750m, was delayed indefinitely in 1984 because of the collapse in international aluminium markets.

Alcan said the first phase will bring in between 50,000 and 60,000 tonnes of new ingot capacity at a cost of up to $225m, with the start-up late in 1989. About $25m has already been invested in site preparation.

The remaining 150,000 tonnes will be built over the next few years, bringing total investment to more than $500m, though the schedule could be advanced if market conditions warrant.

Laterriere is part of a 30-year reconstruction of Alcan's Arvida works, built up mainly for World War II.

Memotec drops equity plan

BY OUR MONTREAL CORRESPONDENT

MEMOTEC DATA, which has acquired Teleglobe Canada for C$448m ($337m), has dropped the idea of raising new equity in Euope and seeking a London Stock Ex*change listing, following acquisition* of a one-third interest in the company by Bell Canada Enterprises.

Memotec had planned to raise about C$150m to repay bank bor*rowings incurred for the Teleglobe* deal. The new equity was to have been found in Canada and Europe.

However, BCE has invested almost C$200m in Memotec Treasury shares and notes, and Memotex will reduce its *planned share offering to* about C$50m and confine it to Canada. BCE will become the largest single shareholder in Memotec which, in turn, owns 100 per cent of Teleglobe.

Danzas sees its group turnover fall

By John Wicks in Zurich

DANZAS, the world's leading international forwarding agent, announces a decrease in group turnover for 1986 from some SFr 5.8bn to SFr 5.6bn ($3.6bn).

The Basle parent company, whose turnover remained unchanged at SFr 2.8bn of this total, booked an 11 per cent rise in net earnings to SFr 8.2m. At its June 18 shareholders' meeting, it is to propose increasing the dividend from SFr 60 to SFr 70 per share.

The board will also ask for approval to create a participation-certificate capital by the issue of 50,000 of non-voting shares of SFr 20 nominal value to existing shareholders. No price has yet been determined.

Shareholders will also vote on approval for the issue of a further certificate issue of up to SFr 4m nominal value at the discretion of the board and at conditions to be announced at the time of issue.

OVER-THE-COUNTER Nasdaq national market, closing prices

Continued from Page 39

[illegible]

LONDON Chief price changes
(in pence unless otherwise indicated)

RISES:

A.C. Hldgs.	575	+30
Aquascutum	293	+38
Avis Eur.	369	+15
Bl.Circle	905	+27
Brent Chem.	189	+15
Bryant Hldgs.	87	+ 7
Bunzl	247	+ 7
Cble.&Wireless	398½	+14½
Circaprint	186	+10
Delyn Pck.	462	+32
Ellis & Goldst.	100½	+ 7
FKB Group	340	+20
Fenner (J.H.)	201	+13
Garf.Rests.	253	+19
Glanf.Lawr.	113	+ 9
Glaxo	£15½	+$\frac{5}{16}$
H.&Crosfield	531	+23
Ingram (H.)	158	+10
Land Sec.	469	+17
MEPC	448	+19
Micro Focus	150	+14
Palma Gr.	98	+ 8
P.&O.Defd.	647	+17
Perry	286	+13
Owners Abr.	115	+17
RHM	330	+13
Time Prod.	161	+13
Tyndall Hldgs.	390	+17
Ultramar	245	+12

FALLS:

Brit.Aerosp.	638	−17

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls. 100s	High	Low	Close Quote	Ch'ge Prev. Close
33⅝	20⅛	AAR s	.50	1.6	22	411	31⅞	30¾	31⅞	+⅝
37	21⅞	ADT	.92	2.9	18	665	31⅞	31	31⅛	+¼
41½	23⅝	AFG	.12e	.3	11	29	37⅞	37⅝	37⅞	+⅛
44¾	16¾	AGS			22	64	42¾	42⅛	42¾	+½
13¾	6¾	AMCA				2	8¼	8¼	8¼	+⅛
9⅜	4⅞	AM Intl				1202	6½	6⅜	6½	
62⅞	47¼	AMR			12	9923	57⅞	56⅝	57⅛	+⅜
27½	25	ANR pf	2.67	10.		1	25¾	25¾	25¾	−½
25	20⅞	ANR pf	2.12	9.2		1	23	23	23	+½
11⅝	8	ARX s			13	393	u11¾	11⅛	11⅜	+⅛
73½	28¾	ASA	2a	3.1		982	65⅞	64½	65	+⅜
20	9¾	AVX		1.7	93	263	18⅞	18½	18⅝	
67	41	AbtLb s	1	1.7	25	5186	60¼	59⅜	60¼	
34¾	25	AccoWd .62		2.1	19	162	30	29½	30	+⅜
15⅛	9	AcmeC .40		3.1	9	154	13⅜	12⅝	13	+⅜
8⅜	6⅛	AcmeE .32b		4.1	30	1	7⅞	7⅞	7⅞	+⅛
23⅞	19	AdaEx 3.42e		16.		54	21⅛	20⅞	21	
19½	11⅜	AdmMl s .24		1.5	12	117	16¼	15⅞	16	
21½	12⅛	AdvSys .62t		3.2	15	75	20	19⅜	19⅜	−¾
28½	12⅞	AMD				2479	22¼	21½	21¾	−½
54¾	49⅜	AMD pf	3	5.6		262	53¾	53½	53½	−⅛
10¾	5¼	Adobe				226	9⅞	9½	9⅝	−⅛
20½	13¾	Adob pf	1.84	9.2		14	20	20	20	+¼
21⅞	16⅜	Adob pf	2.40	11.		13	21¼	20¾	21¼	+½
18⅝	11½	Advest	.12e	.8	11	45	14⅞	14½	14½	−⅛
68¼	53	AetnLf	2.76	4.8	9	2678	58⅛	57⅜	57⅜	−⅜
53⅝	51⅛	AetL pf	2.81e	5.4		2	52⅜	52⅜	52⅜	
52	22½	AhlPb s	.32	.6	27	591	51½	50½	51¼	+⅛
28¾	18⅞	Ahmans	.88	4.2	6	5309	21⅛	20¼	20¾	−⅛
5¾	2⅞	Aileen				76	4⅜	4¼	4⅜	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 39

NYSE COMPOSITE CLOSING PRICES

Continued from Page 38

Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
Xerox	3	3.8	19	6348	79⅞	78½	79⅛	−⅝
Xerox pf5.45		9.8		15	55⅝	55½	55⅝	+⅛
XTRA	.64	2.4		229	26½	26⅛	26⅜	+⅛
Yorkin			15	191	24	23⅝	24	+½
Zapata				702	5⅛	4⅞	5⅛	+⅛
Zayre s	.40	1.6	16	9011	24⅜	22⅛	24⅜	+2
Zemex	.40	3.3	8	24	12½	12¼	12¼	−¼
ZenithE				1432	27⅝	27¼	27⅝	+¼
ZenLb s				1796	11½	11	11	
Zero	.36	2.0	19	273	18	17½	18	+¼
Zurnln	1.32	2.8	18	116	47¼	46¾	47	−¼
Zweig n	.10e	1.1		536	9⅜	9⅛	9¼	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued on Page 37

FINANCIAL TIMES

WORLD STOCK MARKETS

Trade anxiety weighs down bonds, stocks

WALL STREET

TAKING THEIR cue from lower bond prices, Wall Street stocks drifted in moderate and unsettled trading yesterday, *writes Roderick Oram in New York.*

Credit markets overlooked several positive news items yesterday and were pre-occupied instead with the merchandise trade deficit which will be released today. Bond prices fell about ½ of a point.

The Dow Jones industrial average closed up 7.08 points at 2,329.68. It had opened a few points above its previous close but fell back steadily in the face of weak bond markets. Once bonds pulled back from the day's lows, stocks managed small gains.

The Dow Jones transportation index rose 10.62 to a record 967.49 with the help of some strong airline stocks.

The broader market indices showed a similar pattern with the Standard & Poor's 500 index edging up 0.68 of a point to 293.98 and the New York and American Stock exchange composite indices adding 0.31 to 167.70 and 1.57 to 336.58 respectively. NYSE volume was moderate at 172.2m shares with declining issues outpacing those advancing by a ratio of eight-to-seven.

Among blue chips, Chevron was unchanged at $58⅞, Du Pont gave up $¼ to $118, Eastman Kodak added $⅛ to $81⅓, IBM rose $⅛ to $166¼, Merck fell $⅝ to $153 and Procter and Gamble dropped $¾ to $92¼.

Allegis gained $1¾ to $69¼ on trading of more than 6.7m shares, which made it the most active NYSE issue. As part of an aircraft sales deal, Boeing, up $¼ to $45½ will inject $700m into Allegis, parent of United Airlines. In exchange Boeing will receive notes convertible into between 14 and 16 per cent of Allegis' stock. This large shareholding in friendly hands could help Allegis, which has been the subject of takeover rumours, fend off hostile bids.

Texaco fell $1¼ to $35½. It has suspended quarterly dividends and observers feel an imminent settlement of its legal dispute with Pennzoil, down $2⅜ to $81¾, is becoming less likely.

Burlington Industries dipped $¼ to $65¾. Observers believe Mr Asher Edelman and Dominion Textile might raise their $67 a share takeover bid for Burlington.

Woolworth added $¾ to $48¼ after reporting first quarter profits of 43 cents a share against 30 cents a year earlier, in line with retailers' trend of sharply rising profits.

Tiffany added $⅞ to $22⅛. The leading jewellery store, which went public nine days ago, reported first quarter net profits of 12 cents a share against a year earlier loss.

Among other retailers, Sears, Roebuck was up $⅝ to $54, Dayton Hudson added $⅝ to $43½, Federated Department Stores fell $⅜ to $44⅛, Wal-Mart slipped $⅛ to $57½, J.C. Penney fell $¾ to $47½ and The Limited gave up $⅝ to $42.

Baxter Travenol fell $⅞ to $23¼. The drugs group said earnings this year are likely to be at the low end of analysts $1.10 to $1.25 estimates compared with $1.70 last year.

Holly Sugar, a major beet sugar processor, gained $1⅜ to $101⅛. A shareholder group led by Brookehill Equities of New York called for a special shareholders meeting to elect directors who would "actively seek to maximise shareholder value."

In the credit markets, bond prices fell despite a number of positive factors such as a slightly stronger dollar, weaker than expected retail sales in April and generally higher prices for US Treasuries overnight abroad.

The price of the 8.75 per cent new benchmark Treasury long bond finished the day down 15/32 of a point at 100⅟₁₆ yielding 8.71 per cent. At its worst during the day it had been down as much as ¾ of a point.

The main factor on the markets' mind was the merchandise trade deficit for March which will be released this morning. Some improvement from the $15.1bn deficit in February is expected but the estimates range widely with a median forecast of $13.5bn.

CANADA

OIL AND non-precious metal stocks led Toronto prices marginally higher in busy trade, offsetting a fall in golds.

Imperial Oil class A picked up C$1½ to C$74¾ and Texaco Canada climbed C$½ to C$37. Gulf moved C$1½ ahead to C$31½ after reporting slightly higher first-quarter operating profit but lower net income.

Dome Petroleum fell 3 cents to C$1.35

Montreal advanced in brisk trade. Vancouver also rose.

SOUTH AFRICA

A LATE REBOUND in the bullion price brought Johannesburg gold shares back from early falls to leave them slightly easier in a featureless session. Industrials continued their record-breaking surge.

Bellwether gold stock Vaal Reefs fell back R3.00 after Tuesday's R7.00 rise to close at R429.00. Grootvlei fell 50 cents to R17.50,

Mining financials and other mining shares closed mixed, with diamond stock De Beers dropping 40 cents to R40.25 but Rustenburg, the platinum stock, picking up 60 cents to close at R54.00.

Diana Smith examines the demise of a share trading curiosity

Lisbon emerges from a sea of paper

LONG-AWAITED legislation finally approved by the Lisbon Government will literally lighten the burden of those involved in buying and selling securities.

No longer will processions of messengers be seen lugging stocks and bonds from a seller's to a buyer's bank every time a transaction occurs.

This laborious process was only a minor problem when the Lisbon stock market was dozing between 1976 and 1985. But when a mixture of economic recovery and tax incentives revived interest in the exchange as an outlet for private and institutional savings, brokers and banks found they could not keep up with the vast amounts of paperwork. It sometimes took weeks for transactions to be sorted out.

Under the new legislation, a company's shares will stay in the bank of its choice. A simple computer entry will record stocks sold or bought on the seller's or buyer's stock market account at his bank.

The authorities hope the new system will also spell the end of another problem – speculation on the parallel market.

Small-time punters who once used the stock market as an alternative to casino gambling still play share prices, driving them to inexplicable heights through private deals frequently made at an old downtown café not far from the exchange. As long as these private transactions do not take place on the exchange floor, they are not banned. Inside the stock exchange they are punishable by a prison term.

While a steady flow of institutional investors from Portugal and abroad has given the market strength and stability, the gamblers have offset the effect by sending some prices soaring into the stratosphere with no justification in the form of inspiring profits or takeover bids.

Confining shares to banks will deprive café dealers of their basic commodity – stocks in hand to sell or buy.

To encourage methodical investment, the Government has granted the increasingly successful unit trusts (mutual funds) a more flexible ratio between their capital and reserves and their portfolios. In future a unit trust with a portfolio of more than Es 15bn ($108m) needs capital and reserves worth only 0.5 per cent of portfolio value rather than 1 per cent as initially decreed.

As the number of unit trusts grows, pushing up the demand for good paper, so gradually does supply. The number of companies quoted on the exchange is now 48 and more are in the queue. Turnover of stocks and bonds rose to Es 30.9bn in the first four months of the year – 86 per cent of total 1986 turnover.

Lisbon stock exchange: weighty problem solved

EUROPE

Bayer's results cheer Frankfurt

MAJOR EUROPEAN bourses continued to shadow the dollar closely yesterday, ending firmer in line with its recovery against local currencies. Elsewhere, domestic political and economic considerations put a damper on trading.

Frankfurt picked up strongly as the market took a favourable look at chemical group Bayer's results and exporters benefited from the dollar's near one pfennig rise against the D-Mark. The Bundesbank's reduction in three-day treasury bill rates boosted banks.

The Commerzbank index gained 16.8 to 1,799.6, more than making up for Tuesday's losses. But most of the trading was done by professionals, with individual investors still hesitant about the course of the dollar.

Bayer, with first quarter profits up 3.2 per cent, gained DM 6.30 to DM 312.80 after climbing to DM 313.50. The company intends to list its shares in Tokyo from the autumn of 1988.

Also in chemicals, BASF added DM 6.80 to DM 282.80 in advance of its first quarter results today, and Hoechst, which was reported to have signed a joint marketing agreement with Astra of Sweden, was ahead by DM 3.60 to DM 284.20. Pharmaceutical Schering, which is launching a low-hormone contraceptive pill, added DM 6 to DM 530 after three days of heavy falls.

Metals processor Preussag was up DM 6.50 at DM 165; it announced it would pay no dividend after a sharp fall in 1986 parent company profits.

Bonds eased on profit-taking in lacklustre trading although the cut in the securities repurchase pact rate helped to hold losses back. The Bundesbank sold DM 9.2m worth of paper after buying DM 87.3m on Tuesday.

Amsterdam was lifted by the dollar, Wall Street's early gains and hopes of lower domestic interest rates. Trading was quiet and dominated by the huge Philips share issue as foreign investors generally stayed away.

Philips share trading was suspended at Fl 48.50 for an hour before the announcement that the share issue price would be Fl 48.60, or $24 in the US. Philips then fell further to close at Fl 47.90, a loss on the day of Fl 1.40.

Among other internationals, Unilever was up Fl 1.50 at Fl 595 and Royal Dutch, due to announce first quarter results today, gained Fl 1.10 to Fl 257.10.

Sugar producer CSM was steady at Fl 60.20 before announcing a rise in first half profits.

Zurich was also given some strength by the firmer dollar, finishing mixed to higher on selective buying. Financials performed best, with industrials mixed.

Among gains, Union Bank bearer rose SFr 50 to SFr 4,875 and insurer Winterthur bearer was up SFr 75 at SFr 6,375.

Paris was hit by a bout of profit-taking on fears that the April inflation figures will show a rise. Concern was also expressed about funds steadily being drawn away from existing stocks to new issues under the wide privatisation programme.

Géophysique was again a particular sufferer in the oils sector, following its FFr 76 drop on Tuesday with a fall of FFr 61 to FFr 590.

Brussels was mixed amid continued caution over the linguistic crisis threatening the Government.

Milan was lower in active trading on monthly settlement day, with industrial, holding and insurance blue chips worst affected.

Madrid rallied but then hit profit-taking which pared gains.

Stockholm fell further. Pharmaceutical Astra, with higher first quarter profits,

LONDON

A FLURRY of buying centred on blue chips and sparked by brokerage house recommendations sent equity prices sharply higher at the opening, but gains were not extended later.

The FT-SE 100 index rose 20.1 to a new peak of 2,163.4, while the FT Ordinary index added 10.1 to 1,680.5.

Gilts firmed as the market awaited the Treasury auction but eased slightly towards the close.

Details Page 36

ASIA

Ministry move prompts decline

TOKYO

THE FINANCE Ministry's request for restraints in foreign exchange trading caused share prices to fall in Tokyo yesterday, but the Nikkei average recouped much of the loss towards the close, *writes Shigeo Nishiwaki of Jiji Press.*

Blue chips alone firmed amid the general market weakness, reflecting the yen's dip.

The market indicator of 225 select issues was down 407.06 in mid-afternoon, but finished just 172.66 lower at 24,363.19. Volume was 1.13bn shares against Tuesday's 1.2bn. Losers led gainers 525 to 385, with 103 issues unchanged.

The Finance Ministry asked city banks, major securities houses and life insurance companies to refrain from speculative foreign exchange transactions in a bid to stabilise exchange rates. It also asked them to report details of their daily foreign exchange deals to the ministry.

The unusual move shocked the market. Investors speculated that the request might have stemmed from the possibility that the US March trade deficit, to be announced on Thursday, could exceed the projected $15bn, and that the authorities' fears of a dollar free-fall have strengthened.

Buying interest was low as attested to by the low volume of 54.81m shares for Nippon Steel, the day's busiest stock. The issue opened Y3 higher, but lost Y20 to Y368 at one point, closing at Y378, off Y10.

Other large-capital stocks also fell under small-lot selling, with Kobe Steel dropping Y20 to Y314, Nippon Kokan Y10 to Y337 and Ishikawajima-Harima Heavy Industries Y30 to Y685.

On the bond market, the yield on the 5.1 per cent government bond due in June 1996 temporarily scored another all-time low of 2.560 per cent, compared with the previous low of 2.640 per cent registered on Tuesday, on active buying by the dealing sections of big securities houses. But selling increased later and the yield rose to 2.670 per cent before closing at 2.580 per cent.

Investors sold another 5.1 per cent government bond, maturing in July 1996, whose yield dropped below 3 per cent for the first time on Tuesday. The yield rose sharply from 2.975 per cent to 3.040 per cent.

THAILAND's stock exchange set a record yesterday despite warnings from the market authorities about speculation. The Securities Exchange of Thailand Index rose 0.52, to close at the new peak of 266.64. The previous record was 266.20 set in November 1978.

SINGAPORE

BULLISHNESS over a cut in interest rates and reports that Malaysia is set to implement a package of investment incentives helped push Singapore share prices to a record as traders returned after Tuesday's break. The Straits Times industrial index rose 24.32 from Monday's previous record close to hit 1,180.52.

News of a cut of more than 1 per cent on the Central Provident Fund, a compulsory employees' saving scheme, sparked demand and institutions bought blue chips heavily. Among the biggest gains were Singapore Airlines, up S$1.00 to a year's high of S$13.70, Benta, up 50 cents to S$6.30 and DBS, which added 40 cents to S$14.10.

First Capital was most active on trade of 2.95m shares and held steady at S$2.05. Elsewhere, Sime Darby firmed 12 cents to S$3.38 on trade of 2.62m shares.

AUSTRALIA

SELECTED BUYING of quality stocks pulled prices higher overall and sent Sydney to its second consecutive record close. The All Ordinaries index edged 5.9 higher to close at 1,849.4, off the day's peak of 1,854.6.

Strong oil and precious metal prices supported the market, but trade was moderate as dealers awaited the Government's economic statement after the close of trading.

In mining shares, North Flinders picked up A$1.50 to A$29.00 and Niugini added 40 cents to A$13.00. Sons of Gwalia was A$1 higher at A$13.00.

Goodman Fielder fell back 13 cents to A$4.62 after the New Zealand Commerce Commission's decision to block its merger with Wattie Industries.

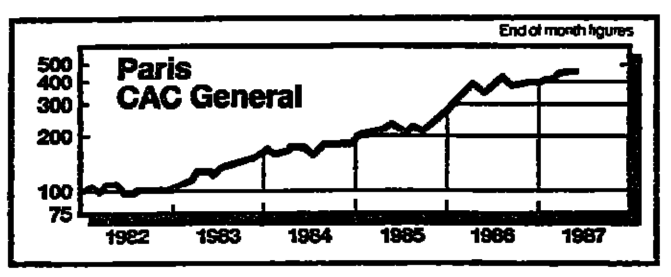
HONG KONG

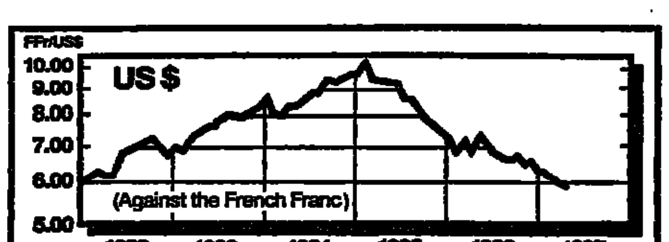
SELLING inspired both by profit taking and bearishness over a rumoured spate of share placements by some companies pulled Hong Kong share prices lower in sharply reduced trade. The Hang Seng index was 19.89 down at 2,833.53.

Properties, which have led the recent bull run, were worst affected by share placement rumours and fell accordingly. World Development lost 60 cents to HK$10.60, Hang Lung Development shed 30 cents to HK$12.60 and Hong Kong Land 10 cents to HK$8.30. Cheung Kong was 50 cents down at HK$41.25.

In banks, Hang Seng added 25 cents to HK$37.75

KEY MARKET MONITORS





STOCK MARKET INDICES

	May 13	Previous	Year ago
NEW YORK			
DJ Industrials	2,329.68	2,322.60	1,785.34
DJ Transport	967.49	956.87	782.88
DJ Utilities	205.61	206.07	181.46
S&P Comp.	293.98	293.30	236.41
LONDON FT			
Ord	1,680.5	1,670.4	1,320.0
SE 100	2,163.4	2,163.3	1,623.3
A All-share	1,079.68	1,069.34	786.41
A 500	1,205.27	1,194.42	862.33
Gold mines	421.4	428.1	251.0
A Long gilt	8.83	8.81	9.10
World Act. Ind (May 12)	133.87	133.87	89.67
TOKYO			
Nikkei	24,363.19	24,535.85	15,982.3
Tokyo SE	2,156.17	2,179.78	1,261.03
AUSTRALIA			
All Ord.	1,849.4	1,843.7	1,201.8
Metals & Mins.	n/a	1,252.3	485.1
AUSTRIA			
Credit Aktien	189.59	190.32	256.81
BELGIAN SE	4,628.60	4,601.50	3,671.99
CANADA			
Toronto			
Met.& Mins.	2,970.3	2,941.9	2,049.0
Composite	3,829.7	3,823.7	3,072.0
Montreal			
Portfolio	1,907.60	1,901.97	1,561.05
DENMARK SE			
SE	204.30	-	229.57
FRANCE			
CAC Gen	452.10	454.60	407.1
Ind. Tendance	113.00	113.30	95.25
WEST GERMANY			
FAZ-Aktien	594.96	590.08	654.21
Commerzbank	1,799.60	1,782.80	1,981.6
HONG KONG Hang Seng	2,833.53	2,853.42	1,803.73
ITALY Banca Comm.	727.30	731.77	826.06
NETHERLANDS ANP CBS			
Gen	286.10	284.70	258.6
Ind	259.30	258.60	246.0
NORWAY Oslo SE	411.77	412.41	342.02
SINGAPORE Straits Times	1,180.50	(c)	597.68
SOUTH AFRICA JSE			
Golds	—	2,215.0	1,173.9
Industrials	—	1,907.0	1,180.0
SPAIN Madrid SE	214.16	212.48	181.29
SWEDEN J & P	2,686.0	2,693.50	2,292.05
SWITZERLAND Swiss Bank Ind	599.0	598.40	576.4

COMMODITIES (London)

	May 13	Prev
Silver (spot)	521.45p	521.80p
Copper (cash)	£917.00	£909.50
Coffee (July)	£1,357.00	£1,365.00
Oil (Brent)	$18.775	$18.675

GOLD ($/oz)

	May 13	Prev
London	$461.25	$461.50
Zürich	$460.50	$460.50
Paris (fixing)	$458.11	$460.39
Luxembourg	$458.90	$459.65
New York (June)	$460.00	$461.50

CURRENCIES (London)

	US DOLLAR May 13	US DOLLAR Previous	STERLING May 13	STERLING Previous
$	–	–	1.6715	1.6700
DM	1.7900	1.7880	2.9925	2.985
Yen	139.70	139.50	233.5	233
FFr	5.97	5.9750	9.98	9.9775
SFr	1.4710	1.4670	2.46	2.45
Fl	2.0165	2.0145	3.37	3.365
Lira	1,294.50	1,292	2,163.75	2,157
BFr	37.15	37.10	62.10	61.95
C$	1.3390	1.3365	2.2370	2.2300

INTEREST RATES

	May 13	Prev
Euro-currencies (3-month offered rate)		
£	8 13/16	8⅞
SFr	3 13/16	3⅞
DM	3 11/16	3¾
FFr	8 5/16	8⅛
FT London Interbank fixing (offered rate)		
3-month US$	7 9/16	7¼
6-month US$	7 11/16	7½
US Fed Funds	6¾*	6 11/16
US 3-month CDs	6.70*	7.125
US 3-month T-bills	5.59*	5.73

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
June	91-01	91-25	90-14	91-03
US Treasury Bills (IMM) $1m points of 100%				
June	94.04	94.12	94.01	94.06
Certificates of Deposit (IMM) $1m points of 100%				
June	n/a	n/a	n/a	93.28
LONDON				
Three-month Eurodollar $1m points of 100%				
June	92.62	92.66	92.61	92.57
20-year National Gilt £50,000 32nds of 100%				
June	127-03	127-25	126-02	127-13

US BONDS

Treasury

	May 13 Price	May 13 Yield	Prev Price	Prev Yield
7¼ 1989	99 9/32	7.65	99 11/32	7.663
7 1994	92 13/32	8.40	92 23/32	8.397
8⅛ 1997	99 23/32	8.55	99 23/32	8.558
8¾ 2017	100 5/32	8.73	100 3/32	8.735

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index May 13	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	–0.03
1–10	154.63	+0.12	6.66	–0.03
1– 3	144.03	+0.07	6.37	–0.03
3– 5	157.57	+0.17	6.71	–0.03
15–30	193.68	+0.59	7.78	–0.03

Source: Merrill Lynch

Corporate

	May 12 Price	May 12 Yield	Prev Price	Prev Yield
AT&T 3⅞ July 1990	92.987	6.40	92.96	6.40
SCBT South Central 10⅞ Jan 1993	102.875	10.21	103.50	10.07
Phibro Sal 8 April 1996	91.13	9.50	91.13	9.50
TRW 8¾ March 1996	96.15	9.40	96.43	9.35
Arco 9⅞ March 2016	101.17	9.75	100.25	9.84
General Motors 8⅜ April 2016	93.96	9.80	93.75	9.83
Citicorp 9⅜ March 2016	93.22	10.10	93.21	10.10

Source: Salomon Brothers

* Latest available figures

SECTION III

FINANCIAL TIMES SURVEY

Thursday May 14 1987

South Korea

Electronic workers have helped to spearhead the country's remarkable growth: now they want to have their views heard.

Strong central control has enabled South Korea to forge ahead economically and industrially. A higher standard of living has brought with it a craving for greater political freedoms which the government of President Chun Doo Hwan has shrunk from offering. Maggie Ford reports.

The strains of success

SOUTH OF THE Han river, which divides Seoul much like the Thames in London, lies the suburb of Kangnam. Rows and rows of modern apartment blocks, indistinguishable except for the numbers painted on the side, remind the visitor of similar post-war construction on the outskirts of many European cities.

But these buildings do not house factory workers whose cottages were destroyed by bombs, but the elite of South Korea—the bureaucrats, company executives, academics and planners who have managed the development of the state.

Last year they, and the workers they employ, achieved record results—growth of 12.5 per cent, the first trade surplus in the country's history, and the first opportunity to start paying off the country's enormous foreign debt.

However, the year before, in the last opportunity South Koreans had to register their views in a ballot, the citizens of Kangnam delivered a crushing defeat to the government, a result possible only by engaging in tactical voting.

It is unlikely that they will have the chance to demonstrate their strategic abilities again for some time. Last month, President Chun Doo Hwan, South Korea's leader, announced the postponement of moves towards democracy until after the Seoul Olympic Games in 1988. The country needs stability, not the uncertainty that political arguments cause, he said.

The attitude of the people of Kangnam reflects the central dilemma in South Korea today: how can a country which is progressing at extraordinary speed towards the level of a developed industrialised nation achieve a democratic political system reflecting the people's wishes?

The two sides of the equation are inextricably linked, for the more people attain the material benefits of a higher standard of living, the more they crave the freedoms that often go with it—freedom of information, freedom to travel abroad, and freedom to air their views without being penalised.

The system under which South Korea is run is based on efficiency and stability. It works by subjecting all sectors of the social, economic and political spectrum to planning and control in the interests of what is seen as the progress of the nation.

In the economic sphere it has worked very successfully. Large companies have been guided towards investment and production policies which have backed up the export-led growth strategy, now beginning to pay off so handsomely.

Foreign debt, the fourth largest in the developing world, has been managed sensibly, without stimulating any of the problems that the Latin American countries have encountered.

Industry, with one or two exceptions such as construction and shipping, is leaping ahead. The success of value added products, such as cars and video tape recorders in foreign markets, is being followed by local innovation, especially in electronics, which augurs a bright future.

It is when uncontrollable forces, usually foreign, intervene that the system comes under its greatest strain. It was only a few months ago that South Korea's planners realised the danger that they were facing as a result of their economic success. As the US trade deficit widened and the trade row between Tokyo and Washington developed, policymakers in Seoul knew that they could not avoid the growing forces of protectionism.

At the same time, they were grappling with the problems the inflow of capital was causing for the internal economy. The stock market was booming unhealthily as speculators moved in, exciting even more interest abroad, putting the money supply under pressure and sparking fears of a rise in the inflation rate.

To manage a surplus was clearly not the same as managing a deficit, the planners learnt.

The solution when it came was a dual-purpose one, dealing with both problems at once. A substantial part of the trade surplus would be spent on US imports, thus keeping the surplus down and taking the money out of the local economy for the time being.

Although this meant that Korea was even more tied into bilateral arrangements with the US, that could not be helped for the moment, the planners decided. Efforts to diversify into other markets, such as Europe, would go ahead, albeit perhaps more slowly.

Meanwhile, a start may be made on rearranging the financial sector, which has been *under very strong control for* years. The state of the local banks, heavily indebted due to their use as instruments for dealing with companies which have essentially gone bankrupt, is so poor that analysts believe they will be revitalised only in the long term.

But decisions on the role of other institutions may come in the next year, along with firmer indications about the opening of the stock market to foreign investors. At present foreigners cannot hold stocks except via funds issued in Europe and the US and convertible bonds.

The introduction of free market forces in the financial sector is viewed very warily by the Ministry of Finance and foreign expectations may be too high about likely progress at present.

If the planners have managed to cope with the problems of economic success, albeit with some difficulty, it is far from clear how the system will deal with the political failure revealed last month.

This year was to have seen a free election following agreement between the ruling and opposition parties over revision of the constitution. Progress had been minimal, with the ruling party seeking to exploit factionalism within the opposition *and neither side giving an inch* over the system of government they favoured.

Eventually after the two main opposition leaders, Mr Kim Dae Jung and Mr Kim Young Sam, led their followers to form a new united opposition party, the President decided to call off the revision talks.

Protest over his decision is growing, among religious, academic, student and political groups, leading to further uncertainty about the country's political future over the next year or two.

Under the president's plan, an election will be held late this year under the old constitution to choose a replacement when he steps down at the end of his term next February. The opposition plans to boycott this election, because it believes it has no chance of winning under the old rules. Such a decision would place the legitimacy of the presidential election in doubt.

Underpinning the political system and the power of the president are the military and security services and the police. The latter suffered severe criticism earlier this year when it was revealed that a university student had died while under police torture. Although the goverment sacked the police chief and the Home Affairs Minister over the incident, the shock and resentment felt over the death has not dissipated.

The political attitude of the military, which derives its strength from the need to defend South Korea from its unpredictable and heavily-armed neighbour to the north, is hard to judge. Although both opposition and government leaders say that the Army wishes to maintain a professional role, uninvolved with politics, Western diplomats do not rule out the possibility of intervention.

Nevertheless, the army is likely to be fully occupied over the next 18 months on security duties before the Olympic Games. Political analysts believe that Pyongyang is perfectly capable of trying to disrupt the Games.

Although negotiations are continuing over the plan for North Korea to host some events, the possibility of a breakdown in the talks remains high. So far, North Korea's allies in the socialist bloc seem keen to attend the games, an attitude which diplomats believe may isolate Pyongyang even further.

South Korea, never ready to underestimate the threat from the north, remains well prepared with the help of the 40.000 US troops in the country.

The visitor to Seoul, however, does not gain the impression that South Korea is an armed camp. The level of development of the country, the well-dressed crowds, the shops and international hotels, and the beautifully landscaped gardens show a sense of pride in achievement. Above all, the visitor is likely to be impressed by the courtesy, friendliness and efficiency of the people.

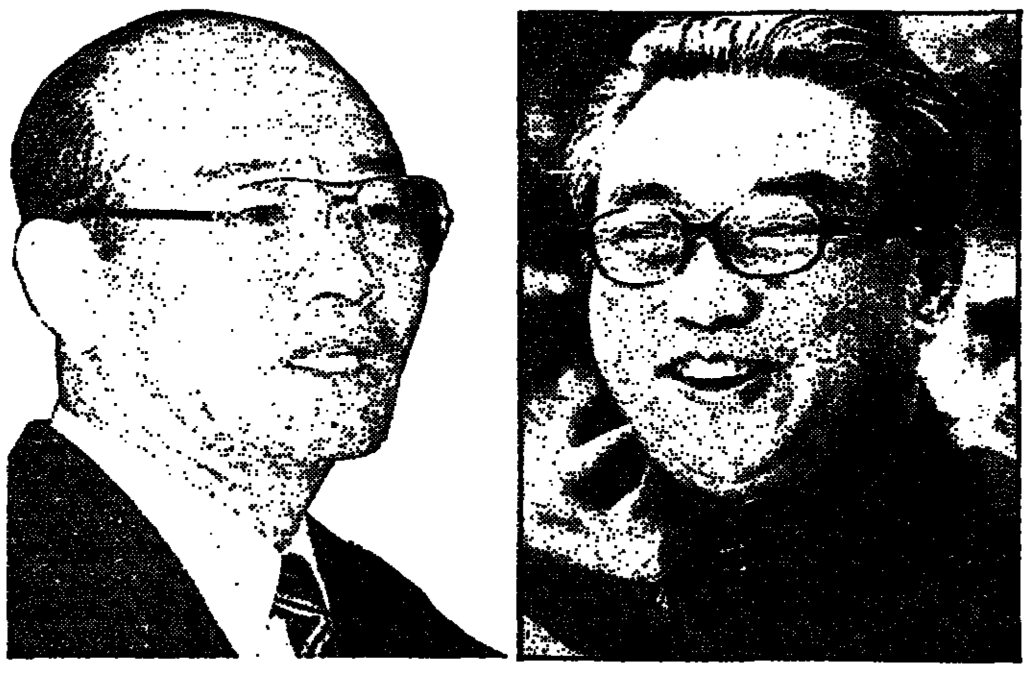
South Koreans, being highly educated and increasingly mature people, are aware that one of the problems of democracy is that it can be a little messy. As one bureaucrat turned politician in the ruling party remarked: "I had always worked on the basis of efficiency. But when you have to take the people's views into account, it's a very different thing."

Many of South Korea's poorer groups may well feel that their *standard of living is too low and* the promise of prosperity too alluring for them to risk the instability that political confrontation might bring.

But if the feelings of the residents of Kangnam and others in South Korea's urban areas are any guide, this attitude may not last for long. For many of those who have attained the material comforts, and especially their student sons and daughters, a little untidiness seems a small price to pay for the opportunity of living in a free country.

Foreign policy

Inextricable links with North Korea



President Chun Doo Hwan (left) and his communist counterpart President Kim Il Sung.

DANCING IN THE streets was followed by deep embarrassment in the Government late last year when it became clear that reports of the death of Kim Il Sung, leader of North Korea, had been greatly exaggerated.

Two days went by as the world waited for news of his fate, prematurely announced by the South on the basis of broadcasts by North Korean loudspeakers on the demilitarised zone which divides the two countries.

In Seoul, people celebrated well into the night over the apparent demise of the man blamed for the division of the country and the destruction and deaths as a result of the Korean war. Their hopes of a new future without the threatening strong man were soon dashed.

With carefully stage managed aplomb, he appeared at Pyongyang station to welcome the Mongolian leader on a state visit, local media at hand to record his evident good health and chalk up another propaganda victory for the North.

Theories abound to this day about what really happened. One school of thought has it that a revolt within the army aimed at his assassination had been announced before it was successful. Another suggests that it was an elaborate exercise in deception to embarrass South Korea and test its reaction in the event of President Kim's actual death.

A third believes that it was simply a series of mistakes, starting with someone mishearing the speakers—no tapes of the broadcasts have ever been issued—combined with wishful thinking on the part of Seoul.

Many believe it will remain a mystery forever, puzzling though, it may be, the incident illumines the inextricable interlinking between the two countries—a linkage which dominates the way they see the world.

South Korean foreign policy has four main objectives:

- Maintaining security and stability on the peninsula in close cooperation with the US which has more than 40,000 troops in the country
- Promoting dialogue with North Korea in the eventual hope of peaceful reunification of the two countries
- Establishing friendly relationships and diplomatic ties with more third world countries
- Developing normal relations with socialist countries such as the Soviet Union, Eastern Europe and China.

The two countries have been engaged in a competition for influence in the world ever since the end of the Korean War. Neither is a member of the United Nations although South Korea has applied several times. The Soviet Union and China have exercised their veto, in line with North Korean policy that separate membership would simply perpetuate the divided nation.

The South is generally thought to have won the battle for diplomatic influence, although some of the countries with which it has relations could not be described as major players on the world stage.

Perhaps its major success has been establishing better ties with China. Although there are no formal diplomatic ties, trade links are substantial and growing, while sporting links are flourishing. China sent a large contingent to the Asian games late last year and is expected to participate fully in the Olympics.

Indications so far suggest that the Soviet Union and Eastern European countries are also keen to take part. Negotiations are continuing with the international Olympic committee in Switzerland over the role North Korea might play in the Olympics.

The North has been offered four events, including a cycle race which would involve competitors crossing the border between the two countries at Panmunjom, the truce village in the demilitarised zone. It is demanding more events, which the South refuses, and further talks are to be held in July.

One major problem for the North if it does agree to take part is to influx of athletes, officials and journalists who will have to be admitted to the country under Olympic rules. North Korea is extremely wary about allowing anyone other than friendly visitors, usually from socialist countries to travel to Pyongyang.

Visitors from the North report that a number of sporting facilities are being built there, but point out that the North is due to hold a large international youth festival in 1989, so the stadiums would be needed anyway.

Dialogue outside the Olympic context remains at a stalemate. Letters have been exchanged over the past few months by both sides, proposing various formulae for meetings, so far without agreement.

North Korea called off talks last year which had led to the first exchanges of visits to reunite separated families since the Korean War. Pyongyang claimed that the annual military exercise held with the US forces threatened the peninsular's security. South Korean officials are neither optimisic nor pessimistic that dialogue can be restarted.

Their eventual aim is cross-recognition, under which the US and Europe would recognise North Korea and the Soviet Union and China would establish relations with the South.

The advent of Mr Mikhail Gorbachev's apparently more liberal rule in Moscow and closer relations between the South and Peking may give cause for hope in the long term.

But one problem remains—the unpredictable Kim Il Sung. Until he dies or is replaced, the people of South Korea will remain on their guard.

Maggie Ford

Supporters of Kim Dae Jung surround his car at an anti-government protest in Seoul.

Politics

Democracy delayed

IT WAS nine o'clock in the morning on April 13. Every TV set and radio in the country was switched on to listen to President Chun Doo Hwan. Rumours had been spreading all weekend that the time for a grave decision had arrived.

A wave of depression settled over the nation after the 45-minute speech had been delivered. The President had decided that talks on a revision of South Korea's constitution were to be postponed until after the Seoul Olympic Games in 1988.

Effectively, he had told South Koreans that their hopes for democracy would not be realised for perhaps another two years. After a year of talks between the opposition and the ruling Democratic Justice Party which had been bogged down in deadlock for months, the President had had enough.

The country could not place its economic development and its successful staging of the Games at risk by allowing a period of uncertainty to go on forever, he said. It was more important for the nation to proceed with a transfer of power next February when the President is due to step down at the end of his seven-year term.

President Chun, who came to power in a military coup in 1979 after the assassination of his predecessor, President Park Chung Hee, is widely believed to be sincere in his wish to accomplish the first peaceful transfer of power in South Korea's history.

Political debate has focused on how this is to be done and who is to be the recipient of the power. For a year the country's two main opposition leaders, Kim Dae Jung and Kim Young Sam, have stuck by their demand for a direct presidential election, against the ruling party's proposal for a cabinet system of government.

Neither side was prepared to give ground. Attempts by a minority of opposition members to promote talks on democratisation measures, eagerly grasped by the ruling party, eventually so irritated the two Kims that they broke away from the main new Korea Democratic Party last month and formed a new party.

Mr Kim Dae Jung has called for widespread non-violent protest against the President's decision, and so far a number of groups seem to be responding to his plea. The strength of the people's will to push for change remains, however, a matter of conjecture.

While Western diplomats, opposition leaders and even members of the Government agree that the desire for democracy is very strong, most people believe that South Koreans do not favour revolution, especially involving violence. Relative prosperity, hard won by their own efforts should not be put at risk by violence and chaos, they believe.

Support for stability is strongest among the working classes, analysts believe, since they still have much to gain from the country's growing economy. But those in the middle classes, especially in urban areas, who already have access to good incomes, housing and education and jobs are more conscious of their lack of freedom. Women, especially, were shocked by the revelation earlier this year that a university student had been killed while under police torture. Almost all middle class women will have student sons and daughters — this could happen to anyone, they thought.

Increasingly affluent middle class people are also irritated by restrictions on overseas travel (available only to over-50s) by the pervasive intelligence and security network, which in the process of rooting out North Korean spies often has an effect on people's daily lives, and by the system of control which affects free access to good jobs, schools and universities.

It is this group which so strongly supported the opposition in the 1985 elections, in some cases by tactical voting to get around the unfair electoral system.

Analysts believe that in South Korea the political reality is a negative one — that people do not so much vote for the opposition as against the government although the judgment cannot really be tested until Mr Kim Dae Jung, the country's most charismatic politician, is allowed to speak in public and campaign openly, it still spells bad news for the ruling camp, which must view any free vote with trepidation.

The unknown quantity remains the attitude of the military and intelligence groups. Western diplomats believe that President Chun does not consult the army before taking decisions and that officers are keen to remain in a professional role.

Opposition leaders also believe that the voices of the military's student children have been heard, and that the army agrees with the general support in the middle classes for democracy.

But it is impossible to be sure. Eighteen months before the Olympic Games, the way forward for South Korea looks more uncertain than it has for some time.

It is the emergence of the more hard-line United Party for Reunification and Democracy (RDP) that appears to have sparked off President Chun's "grave decision." But it is by no means clear that his attempt to guarantee stability and calm over this crucial period in the country's history will be successful.

Opposition to the decision has already started to grow, led by the Catholic Church. Cardinal Kim Sou Hwan, who is not known for his radicalism, said that the people's hopes for democracy had been shattered too often. Priests and nuns have domnstrated against the decision and traditional leadership groups in a Confucian society such as academics, writers and students have raised their voices in complaint.

The president's decision has made life even more difficult for the ruling Democratic Justice Party in its efforts to develop a credible democratic image capable of winning votes in a free election.

It will now have to stand a candidate in a presidential election under the old constitution later this year. This poll, in which an electoral college of about 5,000 people will choose the new president, is likely to be boycotted by the opposition on the grounds that the electoral system means the Government is certain to win.

Analysts believe that the winner of the election will have the same problem of legitimacy as the present rulers of the country. The DJP's favoured candidate at present is Mr Roh Tae Woo, chairman of the party and himself a former general. Nobody in South Korea is yet certain, however, whether or not Mr Roh will in the end take the reins of the presidency.

Mr Chun did offer one small crumb to Democrats in his speech—the offer of local elections in the near future. South Korea has no local councils. Its provincial officials are appointed by the Government in Seoul. This is one reason for the insistence by opposition leaders on a direct presidential vote, where opportunities for undue influence by local officals are less pronounced.

But arguments between the Government and the ruling party over the timing and breadth of local autonomy to be introduced show no signs of being resolved. The opposition has said it will take part in any elections run under a fair system—not least because it is confident it can win.

That confidence is based on history. In an election in 1985 for the National Assembly the opposition parties won well over 50 per cent of the votes although the gerrymandered electoral system meant that the ruling party gained a majority of seats in the parliament.

The strategy of the newly-formed RDP is not yet fully clear.

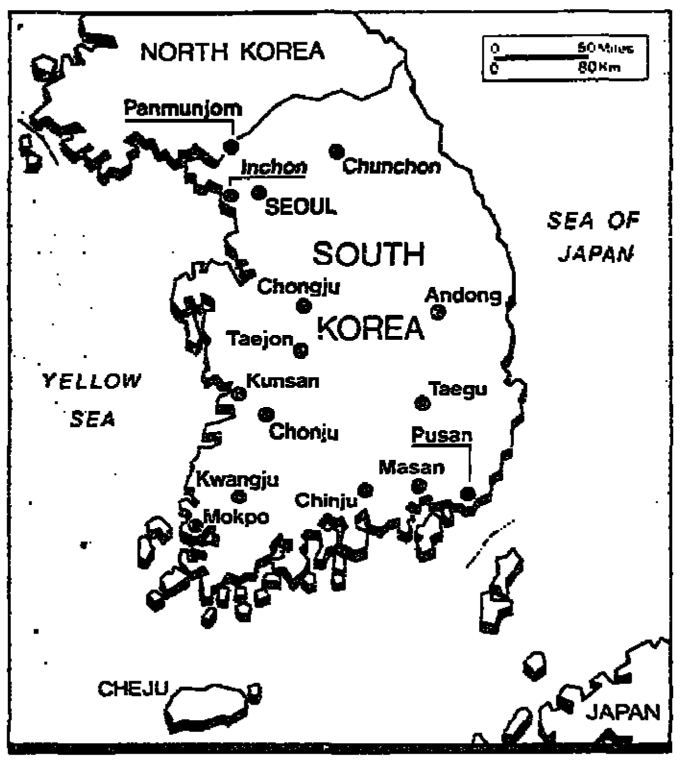
Mr Kim Young Sam, effective leader of the party while Mr Kim Dae Jung remains under house arrest, has called for a return to negotiations on constitutional revision, the release of political detainees, who now number about 2,000, the restoration of his colleague's civil rights and progress on human rights and other democratic freedoms.

Maggie Ford

The threat from the Communist Government of Kim Il Sung in the North remains very real, analysts believe

An American GI controls traffic at the approach to the Freedom Bridge which leads to the Korean Joint Security Area at Panmunjom.

Panmunjom, at the border with North Korea, is the focus of the tense political relations between South Korea and its communist neighbour. The two countries are locked in a symbiotic relationship in which military parity is also an issue, symbolising the differences between the world's Eastern and Western blocs. Western analysts are divided about Moscow's interests in the region but see no seriously destabilising influences at present.



Widening gap adds to tension

THE ACTIVITIES of the US ambassador attract enormous attention in South Korea. Every luncheon meeting with a politician, every utterance on any subject—military, strategic or political—is faithfully reported in the press.

The intense interest is caused by the general belief held in the country that the US Government has influence over the players on the South Korean political and military stage and that it uses that influence for its own purposes.

The charge is denied by the Americans. But whichever way you look at it, the relationship between the US and South Korean Governments is always going to be a key one, for Seoul depends on the US for its very existence. At the same time, South Korea is an integral part of America's defence strategy in the Pacific Ocean.

At present the US has 41,000 troops in the country bolstering the military armistice signed at the end of the Korean war in 1953. The US fought in that war as part of a unified United Nations command. The war has never been formally ended in a peace agreement and to this day around 500,000 troops face each other across the demilitarised zone which divides Korea into North and South.

The threat from the Communist Government of Kim Il Sung in the North remains very real, analysts believe. In the next few years, it could become even stronger as the North faces the prospect of the South gaining military parity without the help of the US, while its own equipment, mainly supplied by the Soviet Union, starts to become obsolete.

Some government policymakers believe that a particularly tense period may be looming. They point to the problem of succession in North Korea, where Kim Il Sung plans to turn over power to his son, Kim Jong Il, the first dynastic transfer of power in the Communist world.

It is not clear, they maintain that the North Korean military supports this plan, and the possibility of internal dissent leading to instablility cannot be discounted.

Western observers also believe that the possibility of a triumph for the South at the 1988 Seoul Olympic games could spark efforts at disruption by North Korea if negotiations over their participation fail.

For the Americans, however, peace and stability on the peninsula is part of a far larger strategy. It is not South Korea's fault, one official observed, that the country is situated at the point where three great powers—the Soviet Union, China and Japan—meet, or that it is in the sphere of influence of the fourth. But the reality means that the fate of the country can probably never be entirely in its own hands.

US planners see South Korea as an integral part of a defensive rim grouping Japan, Taiwan, the Philippines, Australia, New Zealand and the Pacific islands. Until US efforts to persuade Japan to increase spending on its own defence are successful, South Korea will remain an important military stronghold just as the US air force and naval installations in the Philippines are.

Meanwhile, defence strategists in South Korea remain at odds over the role of China and the intentions of the Soviet Union. For years the ally of Pyongyang, China has recently responded to South Korean efforts to develop links mainly in the economic area.

It has also replied to US suggestions that it use its best efforts to persuade the North to be reasonable about the Olympic Games negotiations. The result of these links according to some defence analysts has been to drive Pyongyang closer to Moscow, which in turn has stepped up its arms supplies to the North.

Some analysts see this trend as dangerous, possibly upsetting the stability that has brought peace to the peninsula over the past 34 years. Others believe that is simply an example of further Soviet expansion in the Pacific, entirely to be expected.

North Korea could provide a link between the Soviet bases in Vladivostok and Sakhalin Island and its facilities in Cam Ranh Bay in Vietnam. They say, citing Moscow's interest in concluding fishing agreements with small Pacific nations as evidence of Soviet ambitions for more influence.

Other analysts believe that following the speech by Mikhail Gorbachev, the Soviet leader, in Vladivostok last year, the country is mainly interested in having a say in a region where it perceives the US to have a growing involvement. The drive towards economic reform in the Soviet Union has meant a diminishing interest in expansion, they believe.

American analysts feel that links between China and South Korea are in everyone's interest and see no seriously destabilising movements in the region at present. Only the "deeply disturbing" regime in North Korea, where military spending continues apace gives cause for concern.

For some of the people of South Korea, the threat from the north is receding as an issue. The younger generation does not remember the destruction and bitterness of the Korean war. Government use of the security situation as a propaganda weapon has blunted the public realisation of the potential danger, some strategists believe.

As the people's thoughts turn more and more to democratic reform, so their gratitude for the US contribution towards the country's security gets entangled in resentment that the US is not doing enough to promote change.

US officials have repeated endlessly that it is inappropriate for Washington to interfere in internal politics, but their view remains that stability on the peninsula is linked to political stability inside South Korea.

Maggie Ford

Panmunjom

Tourists and propaganda

PANMUNJOM on the border between North and South Korea is an eerie place where the cruel world of George Smiley comes startlingly alive. Located less than 30 miles from Seoul it is also a bizarre and popular tourist destination.

Some 2,000 people a day visit the demilitarised zone immediately to the North of the South Korean capital. Most of them are selected groups of South Koreans on government sponsored "social education" programmes. They are shepherded around in sleek South Korean buses and end up at a special conference hall high up above the Sachon river valley where they are lectured by soldiers on the menace in the North as they peer through plate glass windows at an invisible border they will never cross.

Foreigners (who must register for the special Panmunjom tours 48 hours in advance) can get to see much more. They are taken by US soldiers of the UN Command Support Group right into Panmunjom itself.

A farming village that was destroyed in the war, Panmunjom straddles the military demarcation line that divides the two Koreas and is now the location for the daily and still hostile talks that are needed to administer an armistice that goes back almost 35 years.

The demarcation line passes plumb through the centre of the blue-painted huts that are used for these talks. The main conference table is placed on the line itself. Microphone wires follow it precisely down the middle of the table until they reach the edge.

Outside the buildings the line continues to be marked in special concrete slabs, eventually petering out into a series of metre-high white posts.

There is no physical barrier here, but that only serves to make the tension even more palpable. During the two-kilometre bus ride through the demilitarised zone to Panmunjom visitors are requested not to smoke or make any other arm gestures that might provoke an incident.

As they survey the scene from the upper storey of the so-called Peace Pagoda, unsmiling North Korean guards stare back through binoculars from a concrete pavilion only yards away (though imposing in facade this building is reportedly only 13 ft deep).

Silence reigns except for the crackily and monotonous sound of North Korean propaganda blaring out through loudspeakers across the valley.

It is a place both tragic and absurd. So intense is the wrangling between the two sides that complex negotiations have even been needed over the size of the small flags that adorn the conference table.

The North Korean flag is on a taller spike; the UN flag spike has a broader tip. Yet it is impossible to forget that people have been killed here since the armistice was signed.

Still clearly visible is the point where two US soldiers were axed to death by North Korean guards during a tree-cutting operation in 1976. A little further on is the Bridge of No Return across which the two Koreas exchanged prisoners of war into indefinite separation after the armistice was signed.

No one crosses the bridge now and apart from the North Korean Propaganda Village and the small South Korean farming community of Taesong-Dong, the 4,000-metre wide demilitarised zone is deserted. Amid the human desolation wildlife has flourished. Above it all the endangered Manchurian Crane flies free.

Peter Montagnon

The turnround in the balance of payments has been sudden and unexpected

Lending risk evaporates as the Government pays back early

LOOKED AT purely from the standpoint of its current economic performance, South Korea is yet another country that international bankers have got all wrong.

While they were busy reducing the margins charged to other Asian borrowers like Indonesia and Malaysia to levels of ⅜ per cent or even below, they continued to charge a premium on Korean loans. Even last year Korea was still indicating a willingness to borrow at the expensive US prime rate or at average margins in excess of ½ per cent over Libor.

Now that extra risk that bankers thought they perceived in Korea has largely evaporated. Though its debt at the end of last year of $44.5bn is the fourth largest in the developing world (after Brazil, Mexico and Argentina) Korea has found the resources to start paying it back ahead of schedule.

It would be wrong, however, to lay the blame for overcharging Korea on its foreign borrowing entirely at the door of the international banking community. The turnround in Korea's balance of payments which has allowed debt repayments to begin was sudden and unexpected even by the Korean Government itself.

Last year Korea enjoyed a current account surplus (of $4.6bn) for the first time since 1976. It was helped by the chance combination of falling oil prices, low interest rates and an undervalued currency which helped expand exports.

To a large degree all of them were factors outside Korea's own control since the exchange rate advantage was basically a function of the collapse of the dollar against the Yen which has allowed Korea to displace Japanese exports in overseas markets.

At this point it becomes possible to see the high interest margins Korea has traditionally paid in a more reasonable perspective. Not only was Korea a heavy borrower with a high proportion of short-term debt; it also remains vulnerable even now to swings in the world economy.

On top of that is a strong element of political risk as well as worries about certain specific economic sectors—basically banking, shipbuilding and construction—which are notoriously weak and overborrowed and whose collapse could jeopardise the country's standing on international financial markets.

Foreign bankers in Seoul say that one factor behind the high margins which Korea traditionally paid was the Government's own desire to keep them happy. "We traded on the belief that the Koreans needed us," says Mr Alan Plumb, Director of Standard Chartered Asia.

Korea's willingness to play along reveals a cautious approach to debt management which continues even though the basic economic situation has turned around.

There are basically three choices for a country like Korea which suddenly faces an economic windfall. An irresponsible one which was adopted by Mexico during the oil bonanza of the late 1970s is to use the enhanced credit rating to borrow more and stoke up the domestic economy.

With a growth rate last year of 12.5 per cent Korea hardly needs to follow this route. Nor, so far, has it followed a second possibility—that of systematically renegotiating existing debt to achieve lower margins and longer maturities along the lines followed by other countries ranging from Sweden to Portugal.

Though some loans have been refinanced at lower rates, Korea has preferred to adopt the third route—that of simply paying its lenders back.

According to Mr Hong Jae-Hyong, Assistant Finance Minister, Korea originally expected to reduce its foreign debt to $41.8bn during 1987, but the current account of the balance of payments has turned out better than expected, registering a surplus of some $2bn in the first quarter alone, so repayments will be speeded up to bring the debt down to $39.9bn by the end of the year.

With the short-term debt now hovering around the $9bn mark which is needed to finance Korea's large foreign trade there is not much room for further reductions in this category. Nor is it easy for the Government to persuade the private sector to repay its foreign debt, so the bulk of the repayments will come out of the stock of medium-term public sector debt.

Eventually, Mr Hong says, foreign debt should stabilise at around $30bn made up of roughly equal components of short-term borrowing, official loans and medium-term borrowing on commercial markets.

In the process it seems likely that a fair amount of debt will be refinanced even if this is not being done yet in any systematic way. One major loan that has been completed this year was a $500m credit for Korea Exchange Bank (KEB), one of South Korea's flagship borrowers.

This is a seven-year credit which carries interest at a margin of ¼ per cent over Libor for the first year rising to ⅜ per cent for the next six. The terms marked a renegotiation of a deal launched last year and then withdrawn from the market which comprised a $375m tranche at a split ½-⅝ per cent margin and a $125m tranche at US prime.

KEB will use the proceeds to help pay back a $650m credit arranged in 1984. Along the way it will benefit from a substantial reduction in borrowing costs even taking into account the 20 basis point renegotiation fee it paid on the deal. But the process of debt repayment is not without a degree of pain for Korea and its economy.

In the first place, internatonal interest rates are much lower than those in the domestic market which range around 13 to 14 per cent. Switching borrowing to the domestic market therefore means additional costs.

Bankers reckon that KEB is reasonably liquid, but this is not the case with Korea Development Bank, the country's other flagship borrower, which is expected to have more difficulty meeting its debt repayment targets.

Moreover, the debt repayment has caused difficulties in the management of domestic monetary policy. Central bank purchases of foreign exchange to repay foreign debt have swollen the supply of Won in the local money market and money supply is growing at a relatively fast tack of 18 per cent.

To offset this the central bank has been placing monetary stabilisation paper with the local financial system in an effort to absorb liquidity. Altogether money supply policy has had to be kept on the tight side as a result of the debt repayment and this added to the strain in over-borrowed companies in Korea's sharply growing economy.

Meanwhile, foreign banks seem to have entered a new and uncertain relationship with their Korean private sector customers. In essence their worry is that the Government will decide it no longer needs to curry favour with them now that the trade surplus is well established. That will make the authorities less willing to bail out private sector companies which get into trouble and have large foreign debts.

A case in point is Korea Shipbuilding and Engineering Corporation which filed for bankruptcy earlier this year and has foreign debts of some $85m. Though the Government has stated its firm determination to secure the company's survival it has not yet explained how far it will go in ensuring that the foreign debt remains intact and tough negotiations are looming between the banks and the authorities.

If they fail, bankers believe that besides their immediate losses they will face a ripple effect as other over-geared companies also face difficulty meeting their obligations. In the longer run, they believe that South Korea's traditional policy of cautious treatment for foreign creditors will win the day.

Peter Montagnon

Refrigerator production: export performance continues to be strong.

Trade

Coping with surplus

KOREA'S SUDDEN emergence as a nation with a surplus on its visible trade has forced a major rethink of economic policy in a country long used to the financing of deficits as a main preoccupation.

Last year's surplus of $4.2bn was the first in the country's history. With export performance continuing strong in 1987, economic planners are switching their attention away from the question of avoiding the mistakes made by other large international debtors. Instead they have begun to worry about how to cope better with a structural trade surplus than their southern neighbour, Japan.

The first indication of the degree of potential change that this involved came with a series of economic measures launched in mid-April which were primarily designed to control the growth of the trade surplus.

The Government announced that "the growing trade surplus is not only unsustainable but also counterproductive for Korea's long term economic development. It would produce an excessive bias in the economy towards export-related investment.

To counter this the Government said it would step up infrastructure spending to improve domestic living standards, restrict credit to exporters while making it more readily available to importers and accelerate the pace at which import barriers are being lifted.

The measures were given a warm welcome by Mr Malcolm Baldrige, US Commerce Secretary, who visited Seoul shortly after they were announced. He said they were "an important step in the right direction for the Korean Government to take. This country can't go on growing indefinitely by exports alone."

The actual implementation of such a fundamental economic change is none the less a matter fraught with difficulties. On the one hand Korea faces an urgent need to appease protectionist sentiment in the US Congress. On the other, it remains vulnerable to a turnround in the external economic factors—low oil prices, low international interest rates and the low value of the dollar against the Yen—which played a major part in bringing about last year's surplus.

Indeed, there are still lingering doubts in Seoul about how durable the surplus really is. Korea's export success could easily be snuffed out by an intensification of protectionist pressure in the US which took some 40 per cent of its $34bn exports last year.

It is also vulnerable to any fresh realignment of major world exchange rates which would make its price-sensitive exports of textiles, electronics and footwear, less cost-competitive.

Slowly, however, the Government is coming round to the view that the surplus is here to stay. "Our economy has entered the stage of permanent surplus on current account," says Mr Park Unsuh, Director General of the Trade Ministry's Bureau of International Trade Promotion, but the adds, "we don't want to accumulate a huge surplus like our neighbour, Japan."

Korean officials say they have no desire to pile up large foreign exchange reserves as a result of the surplus, but at the same time they also point to the need for Korea to lower some of its foreign debt, which totalled $44.5bn at the end of last year. It is the fourth largest in the developing world.

Foreign trade

$bn	1984	1985	1986
Exports	26.3	26.4	33.9
Imports	27.4	26.5	29.7
Trade balance	−1.0	−0.02	4 2
Current account balance	−1.4	−0.9	4.6

NB: Figures may not add due to rounding
Source: Bank of Korea.

For this reason they are targeting a moderate surplus for the next few years. This year the plan is to hold the current account surplus to around $5bn and to limit the growth of the trade surplus with the US which totalled $7.2bn last year and could grow as high as $12bn in 1987 without special corrective action.

The most significant step it has taken in this direction has been the announcement in connection with the mid-April measures that the government will make available $2.5bn from its foreign exchange reserves to finance the import of capital goods by business. Later it also announced a long "shopping list" convering $2.6bn in extra goods Korea is expected to buy from the US this year.

One hope is that these purchases will reduce Korea's imports from Japan with whom it ran a deficit of $5.3bn in 1986, but it remains to be seen what impact the measures will actually have on bilateral trade relations with the US. Korea would like to hold its surplus to no more than $8bn in 1987, according to Mr Park of the Trade Ministry.

At the same time Korea is moving towards a faster removal of import barriers. According to Mr Park 40 per cent of import items were on the restricted list in 1980. By July this year the proportion will be down to 6.5 per cent and it will drop below 5 per cent in 1988.

Similarly Korea is moving to reduce its very high tariff structure on items that can be imported. The average tariff rate is currently 19 per cent but will be reduced to 17 per cent by 1988.

Korea prefers this carefully managed and orchestrated approach to a more rapid appreciation of its currency, the Won, which would hurt exporters hard and would also exacerbate the problem of its deficit with Japan. But in practical terms its effect has been slow to take hold.

Not only are Koreans an intensely patriotic people who are little inclined to purchase foreign goods. They are also frugal and inclined to save rather than to spend, which puts expensive imported goods at a disadvantage in Korea's domestic market place.

Liberalisation last year of the import of foreign cigarettes has had little impact on the market, partly because they are still priced at nearly three times the price of local brands. Luxury cars with cylinder capacity in excess of 2,000 cc may be imported from this July, but because of a combination of high tariffs and taxes they will cost some three times their price in home markets. Import of foreign wines is also to be liberalised from July 1 but the tariff will be set at an exorbitant 100 per cent.

For Koreans this approach is an understandable method of buying more time and delaying the impact of the import liberalisation on which they say they are determined to embark. Mr. Park says West Germany should be a true role model for Korea rather than Japan because of its balanced economy and liberal approach to trade. Yet for all the warmth of Mr Baldrige's words the risk is that import barriers will continue to aggravate trading partners.

The risk is that not only change may be too slow to prevent protectionist retaliation from the US; it is also that preoccupation with ad hoc moves to satisfy Washington may obscure the broader need for economic reform which could transform Korea's present export success into a truly modern, developed economy.

Peter Montagnon

Banking

Overhaul will loosen controls

SOUTH KOREA'S banking system is set for a major overhaul *as the Government prepares, in* response to growing international pressure, to liberalise the country's tightly controlled financial services industry.

South Korea is one of the few countries—France is another—in which large commercial banks have in the past been tools of government policy rather than powers in their own right.

In Korea's case, the banks have served two main purposes—aggressively financing the country's rapid industrial expansion, and keeping a watchful eye for the Government on the big conglomerates. If, along the way, these purposes have meant that the banks could earn only low returns or became saddled with huge non-performing debts, then that was the price that had to be paid.

That price has been very heavy in the past four years when the banks have had to bear the burden of the slump in *the overseas construction* and shipbuilding industries. According to one recent estimate, the value of the seven big city banks' non-performing loans rose last year to more than 5,000bn won, more than treble the value of their combined equity base.

Bank profits recovered last year by an average of 13 per cent, but return on assets was still less than one per cent and average return on capital was only 4.5 per cent.

The Government has been wanting to liberalise the banking scene for several years, and made a start in 1982 by privatising the big banks. However, their poor performance has meant that the Government has had to continue propping them up, and so further liberalisation had to be postponed.

Now, however, it looks as if the clouds are at last clearing. The banks' problem is "almost over," Mr Chung in Yong, the *Finance Minister* said in a recent interview, "so we are ready to look at liberalising and restructuring."

Mr Chung will not indicate how the Government's thinking on restructuring is shaping up, but it is a fair bet that the big banks will do better out of it than some of the other types.

Foreign commercial banks, for example, appear to have little left to offer to Korea. Until recently, they had a large and profitable niche in bringing much needed foreign loan funds into the country. Under the so-called swap scheme, the Bank of Korea gave each foreign bank the right to bring in a given *amount of foreign currency. The* central bank would then swap the currency for Won for periods up to a year, and would guarantee to repurchase the Won at the same rate at which it was sold.

The central bank paid the market rate of interest for the foreign currency and allowed the banks to put a 1 per cent spread on loans they made with the Won. It was a sweet deal while it lasted, but now the country does not need foreign loans and so, in the face of howls of protest from the foreign banks, the central bank has been reducing the swap quotas and the spread allowed on the Won loans.

Some concessions have been offered to meet the foreign banks' complaints that they do not have adequate access to Won funds through normal channels, but the Government seems unwilling to let the foreign banks have any special privileges *any more.*

Mr Rod Frew, resident manager of Britain's Lloyds Bank, wonders whether there will be a niche for foreign banks in the future. "I do not think they can find one for us," he says.

The future of the 32 short-term finance companies also seems uncertain. These are institutions that have grown up in recent years to fill a vacuum inexplicably left by the big banks—that is, providing unsecured short term loans. Initially, this requirement was met by a rather rowdy kerb market, but in the late 1970s and early 1980s the Government encouraged the expansion of the short term finance companies to take their place.

These companies have grown very rapidly and now are second only to the commercial banks in size. However, the Government has become angry with them recently for provoking the bankruptcy of two large construction *companies. The Government* feels there are too many finance companies, and competition among them has become too intense. It has been dropping hints lately that many of them should be taken over by banks or securities companies.

Merchant banks too are losing popularity. Starting in 1976, the Government authorised the creation of six merchant banks on the British mode.

With the idea that they would help develop capital markets, investment banking and advisory services for potential inward investors. As a result, they were given very broad licenses.

In the event, they have not done much merchant banking, partly because of government retrictions, but they have used their licenses and their legendary wits to do all sorts of banking business as opportunities have arisen.

Korea Merchant Banking Corporation, for example, in which Barclays Bank and Lazard Brothers of the UK each have had 25 per cent stakes (Lazard has just sold its shares to Bank of Boston), has been active in the short-term finance market, medium-term lending, leasing and bond investment trusts. Pre-tax profit of KMBC last year was 32 per cent of shareholders' equity.

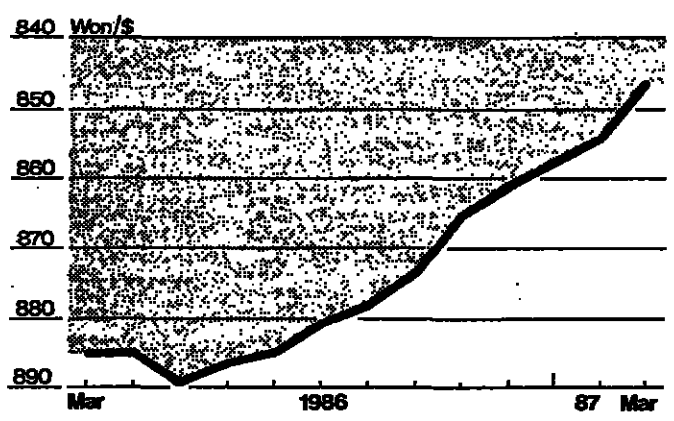
The Finance Minister says that no reform of banks or other financial institutions will be implemented until the committee set up last year to study capital market reform has reported. *He says that some ele*ments of the thinking of the committee, which includes civil servants, academics and financial experts, could become clear later this year, but most of it will be next year.

The US Government, in particular, is pushing hard for early change, on trade parity grounds. The US view is that if US markets are going to be open to Korean cars, then the Korean market has to be open to US financial services.

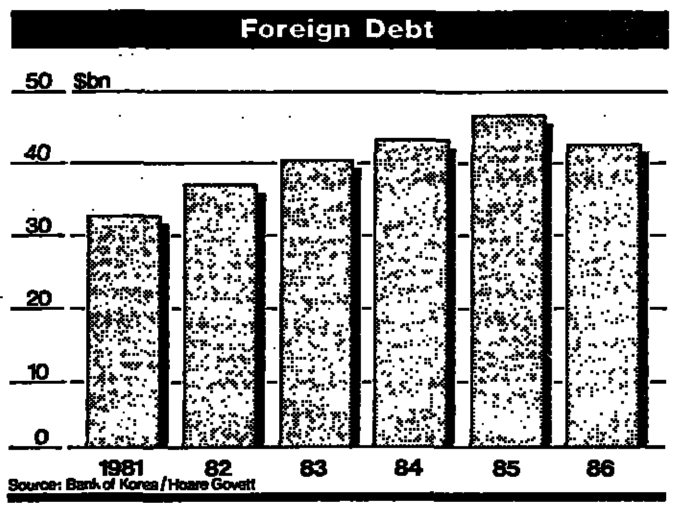
Foreign bankers in Seoul sense that the Government favours the creation of a universal banking system, and that the various specialised institutions will be encouraged to merge with one another or form associations.

Ian Rodger

The Won against the Dollar



Foreign Debt



Economy

Surplus brings trade friction

WHAT A difference a year makes. A year ago, Korean *economists were cautiously* forecasting a moderate recovery after the 1985 slump when gross domestic product grew only 5.4 per cent, the trade balance finished marginally in the red and the heavy foreign debt load was worsening.

But when the final figures for 1986 were in, the country had scored a stunning 12.5 per cent rise in gross domestic product, powered by a 28.3 per cent surge in exports.

The buoyant trend has continued this year, and suddenly Korea, worried that 1985 suggested that the gains of previous years were in danger of being dissipated, finds itself a nearly developed nation with the ability to generate successive surpluses.

In the first quarter of this year, the economy grew at a 12.5 per cent rate and government economists now admit that the *current account surplus* could top $8bn this year.

It all sounds like a developing country's dream, and to a considerable extent it is, but the Koreans are finding that it also generates a new and different set of problems.

For example, trade surpluses cause problems with trade partners, particularly the US, with which the country had a $7.6bn surplus last year. Last month, the Government hastily *announced an emergency set of* measures designed to stimulate imports and ease the growing trade friction with the US.

Korea is also under pressure to appreciate the Won and lower its interest rates in line with international trends, but the Government is reluctant to respond. Investment spending is booming, and the rapid inflow of foreign exchange, all of which must be converted into local *funds, is boosting* the money supply, already growing at an annual rate of nearly 20 per cent, to a disturbing extent. The Government fears a fresh outburst of inflation if it eases conditions at all.

The cornerstone of the new policies is the opening of markets and the provision of foreign exchange to Korean companies so they can buy and import capital goods. Last month's package is expected to increase imports by about $1.5bn *to $2bn this year* alone.

Meanwhile, the Government is trying to use its surpluses to good effect. The Government is hyper sensitive to public criticism that its high level of foreign borrowing in the early 1980s reflected economic mismanagement, and so it wants to reduce the debt as quickly as possible.

Korea's gross external debt peaked at $46.76bn in 1985, 56 per cent of GNP. Although, in *size, this placed South Korea* very much in the major leagues of indebted countries, it had never been a source of serious concern to its creditors, who remained impressed by the patent strengths of the economy. If doubts existed they were muted and centred mostly on the country's political stability. In any case, the Government had embarked on a policy of changing the mix of debt by reducing short-term exposure.

Now emboldened by the country's current economic performance, the government recently declared a policy of reducing indebtedness to about 20 per cent of GNP by 1991. Given the expected growth in GNP over this period, that means getting it down to about $30bn. However, it now looks as if that programme will be implemented even faster than expected. At the current rate of repayments, the total will slip below $40bn this year.

The Government is also resigned to seeing the Won appreciate. It is under intense pressure from the US to revalue the currency substantially, but is resisting on the grounds that its trade surplus position is a recent phenomenon and not a structural one like those of Japan and Taiwan.

The Government fears that a rising Won would undermine economic performance, but it is responding to the pressure. The Won has risen by 5.4 per cent against the dollar and fallen by 43.7 per cent against the yen since the so-called Plaza agreement on major currency alignments in autumn 1985.

*Another strand of this anti*ssurplus policy has been to postpone for the time being the liberalisation of Korea's capital markets. Korea has now become a highly desirable place for foreigners to invest, and the Government is understandably reluctant to see any additional capital inflows at this time.

Interest rates, which are now very high, are likely to be lowered later this year, partly to offset the anticipated negative *impact on the economy of the* rise of the Won.

Government officials are nervous about the potential inflationary impact of a reduction in interest rates. They point out that with equipment investment maintaining its breathtaking 28 per cent growth rate from last year, it is difficult to justify any reduction.

On the other hand, high interest rates exacerbate the effect on the money supply of the country's current account *surpus as investors seek ways to* bring funds in rather than take them out.

The Government is already having to issue huge amounts of monetary stabilisation bonds to soak up the increase in liquidity caused by the trade surplus. Last year, for example, new MSBs totalled 2,755bn won compared with a net redemption of W60bn in 1985.

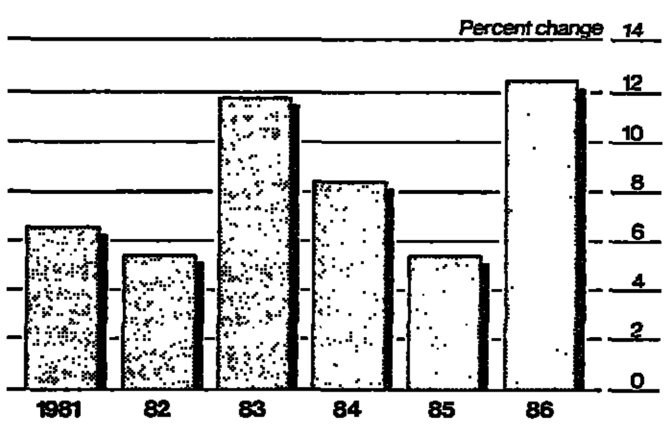
Meanwhile, the Korean economy continues to show a remarkable ability to adapt quickly and effectively to changing circumstances. In many ways, Korea is still a developing country, with about a quarter of the workforce still engaged in agriculture, forestry and fisheries. Services account for little more than a third of GDP. However, at the same time, it is coping with some of the problems faced by highly industrialised countries, such as the maturing of heavy industries.

The recent surge of growth in *the economy has come mainly* from maufacturing (up 16.8 per cent last year), and in particular, the heavy industries. Last year, their output grew by 23.5 per cent while the light industries grew only 9.7 per cent, and agriculture only 4.4 per cent. Electronic machinery and were the main contributors to the 26.6 per cent rise in exports.

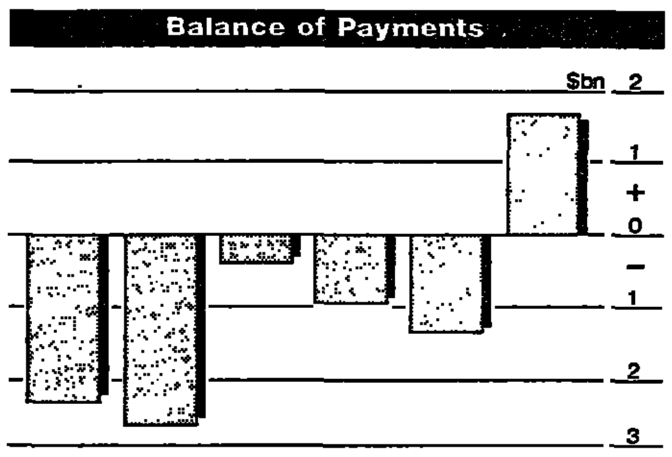
The outlook for the rest of the current year remains for more of the same. In the first quarter, merchandise exports were up 43.6 per cent to $3.6bn, and there is no sign of any easing.

Ian Rodger

Gross National Product



Balance of Payments



SOUTH KOREA 6

The country's industries are demanding a wider range of markets in which to operate.

Commitment to liberalise capital markets

LAST YEAR, for the first time, the savings rate in South Korea exceeded the investment rate, and most economists believe this trend will continue indefinitely.

"That means the country from now on can finance entirely its own development. And that, in turn, gives the authorities some flexibility in its plans for developing and opening up the country's capital markets.

So far, Korea's remarkable industrial development has been financed almost entirely by bank borrowing, much of it from foreign banks. But now that the country's industries have become more sophisticated, they are demanding a wider range of capital markets in which to operate.

Korea already has the basic capital markets—money, bond and stock markets—functioning, but they suffer from a significant level of government intervention. For example, the authorities effectively set interest rates in the money markets and they are inclined to make arbitrary decisions to influence the behaviour of the stock and bond markets.

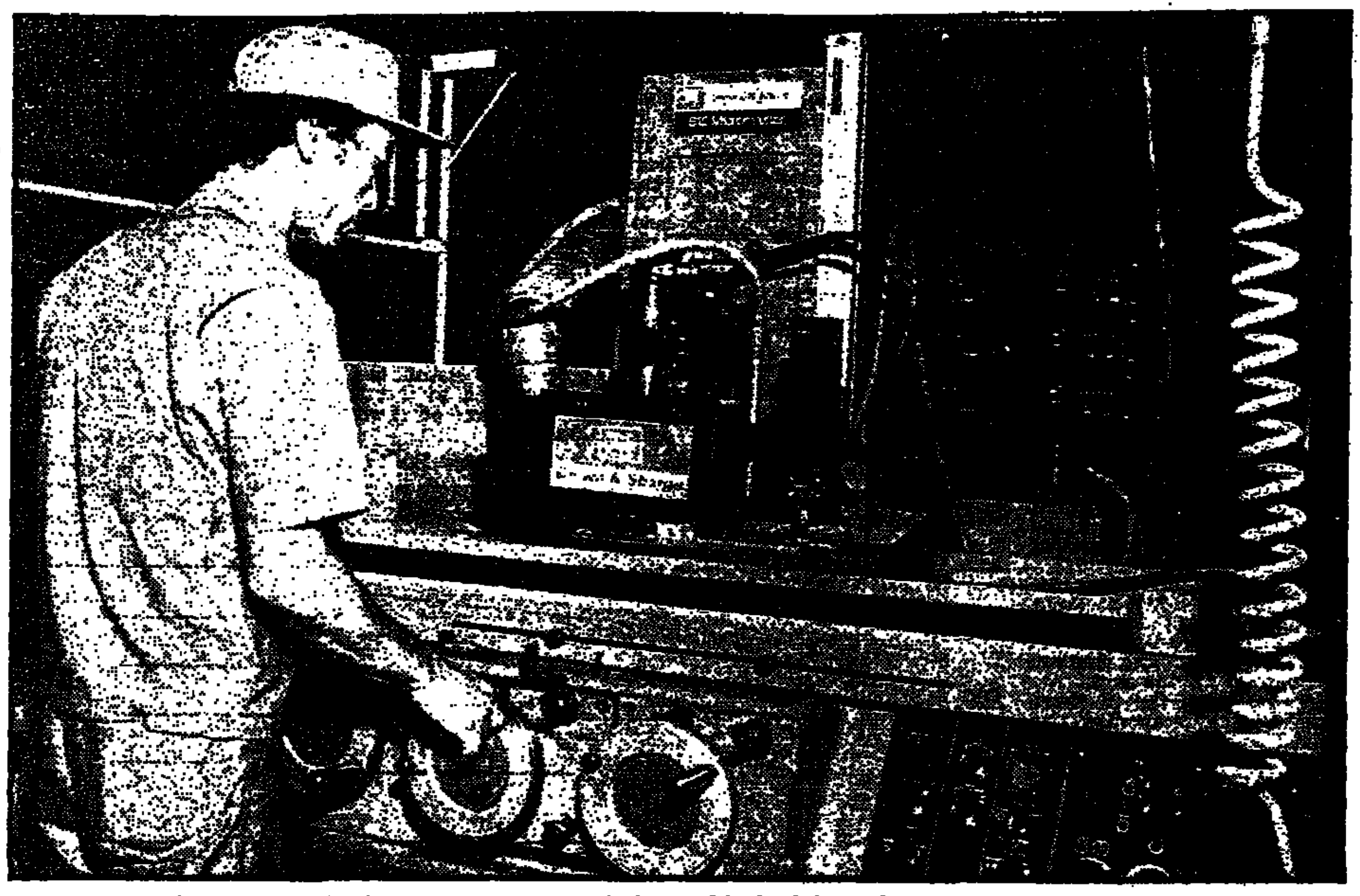
Two months ago, when the stock market was boiling over, they stimulated the supply of shares by simply ordering some institutional investors to sell some of their holdings.

However, the government is committed to a policy of developing and liberalising its capital markets. The bond market, for example, has been growing rapidly in recent years. The total listed public sector bonds rose from W2,496bn in 1982 to W8,638bn at the end of last year.

Corporate bonds grew from W3,303bn to W10,028bn over the same period. This year, the public sector has moved sharply ahead, as the government has been issuing large amounts of monetary stabilisation bonds to soak up excess liquidity caused by the trade surplus.

The government is also committed to expanding the Korean equity market, even to the point of virtually forcing companies to go public. Last year, 13 companies obtained new listings on the Korean Stock Exchange (KSE), and another 30 are expected to go public this year. There is also a commitment to opening up the stock market to foreigners, but that has become problematic.

By most international standards, the KSE is seriously undervalued. The KSE Composite Index rose from 163.37 at the beginning of 1986 to a peak of 405.13 at March 31 last, from where it has since settled back to about 365. Despite this rapid rise, the market's overall price earnings ratio is still somewhere around 10. By contrast, the Japanese stock market is on a p/e of close to 60 and the New York and London markets are near 20.



Korea's remarkable industrial development has been largely financed by bank borrowing.

Moreover, while some other stock markets are looking a bit stretched these days, there are a number of factors which suggest that the Korean market still has considerable scope for growth. The main one is that the market is underpinned by one of the fastest-growing economies in the world. Last year, Korea's growth rate was 12.5 per cent and this year's promises to be similar.

Another factor is that the institutional presence in the market is still a relatively small 19 per cent. This in turn reflects the lack of funded health insurance and pension plans in Korea. However, the government and many companies have plans to introduce funded schemes in the near future, which will create more demand for shares.

On the supply side, the Korean market is already well diversified. There are some 357 listed companies in a wide variety of sectors. London stockbrokers James Capel and Co point out that the top 10 Korean stocks account for only 25.2 per cent of the total market capitalisation. In the UK, the comparable figure is 27.2 per cent, West Germany 46.8 per cent, US 15.2 per cent.

However, as the recent speculative fever indicates, the supply of shares is inadequate to meet the demand. Entrepreneurs who have built up businesses through borrowing are understandably reluctant to sell part of their shares to the public, but the government is pushing them hard to do so. There is a 3 per cent corporate tax break for listed companies and, one suspects, other more subtle forms of moral persuasion.

For the moment, foreign investors can do little more than drool over this situation; they are not allowed to hold Korean shares directly. The only official way they can participate is to invest in one of the five investment trusts established specifically for them. (Unofficially, there is said to be a lot of Japanese money flowing into the market, made possible by the numerous family ties between Koreans and Korean-Japanese, but other foreigners are not as well placed.)

Investment and Savings

	1981	1982	1983	1984	1985	1986*
Gross investment ratio	30.3	28.6	29.9	31.9	31.1	30.2
National savings ratio	20.5	20.9	25.3	27.9	28.6	33.0
Private	14.9	14.8	18.1	20.9	21.7	n/a
Government	5.6	6.1	7.2	7.1	6.9	n/a
Foreign savings ratio	9.8	7.0	4.7	4.0	3.1	−2.9
Discrepancies	0.0	0.7	−0.2	0.0	−0.6	0.1

Note: *Estimates
Source: Bank of Korea

The performance of the latest of foreign investment trust, the Korea-Europe fund, launched by the British merchant bank Baring Brothers in March, indicates the kind of enthusiasm there is abroad for Korean shares. The shares soared to a 200 per cent premium on the $10.71 offer price, and have remained well over $20 ever since.

The chances of more shares being made available for foreigners in the near future have faded lately. Two years ago, the government began authorising Korean companies to issue convertible bonds in foreign markets, with the clear implication that, on conversion, foreigners would then be allowed to own the company's shares.

The first of these, a $20m Eurobond issued by Samsung Electronics could, under its terms of issue, be converted next October. However, the government has decided that if it lets Samsung convert, then it would have to open the gates more widely to foreign investors. And the last thing the government wants these days is an additional large inflow of capital.

In a recent interview, Mr Chung In Yong, the Korean Finance Minister, said the Samsung conversion now seemed "less possible" than before.

The government says it is still committed to opening up the stock market to foreign involvement but, even if it solves the problems associated with the current high inflow of funds, it wants to see more Koreans participating in the market before allowing foreigners in. Now, fewer than 1 per cent of Koreans own shares.

Thus, for the moment, the small group of foreign stockbrokers' representatives (none have licences) in Seoul have little more to do than to carry out research and envy their Korean counterparts.

Total commission income of the 25 KSE member firms was W200bn in the year to March 31, 1987. Daewoo Securities, the leading company, more than trebled its profits to W9bn.

Ian Rodger

Foreign Investment

Rapid growth in the inflow

KOREA'S low wage structure, relative industrial sophistication and the low value of the Won have long made it an attractive proposition for international companies looking for a manufacturing base in the Far East.

That appeal has grown significantly over the past year as the yen has appreciated against the dollar. Many companies, particularly Japanese concerns, are taking a fresh look at Korea and the rate of investment inflow is growing rapidly.

Yet the experience of foreign businesses already present in Korea is summed up in one word by a senior foreign banker in Seoul. He says it is "mediocre."

Theoretically this should not be the case. Not only do the economic fundamentals favour foreign investment, the basic rules are also fairly open. Although Korea does have some restricted sectors which are closed to direct foreign investment and each proposal must be negotiated individually with the Ministry of Finance, it has allowed some companies such as IBM of the US to open fully-owned subsidiaries. Remittance of earnings, a problem for direct investors in many developing countries, is freely permitted.

"We want to encourage foreign direct investments, particularly in small and medium industry," says Mr Hong Jae-Hyong, Assistant Finance Minister responsible for planning and management. In fact, the volume has begun to grow very rapidly with an inflow of $345m in the whole of calendar 1986 and $284m in the first quarter of 1987 alone.

Generally regarded as a success, at least from the Korean vantage point is the 50-50 joint venture between General Motors of the US and the Daewoo Group which has recetly begun exporting cars to the US. Similarly, other joint ventures such as Dongsuh Foods in which General Foods of the US has a 49 per cent stake have also proved profitable, but foreign businessmen in Seoul point quickly to the pitfalls which can beset the unwary direct investor.

Basically these fall into three main categories: a clash of objectives in which the Korean partner is looking for technology transfer and access to overseas markets while the foreign partner is seeking entry to the domestic market; a clash of management styles leading to partnership strains which can be exacerbated by lack of understanding in the foreign company's head office; and the inability of the foreign partner to protect its patents owing to Korea's still lax legislation on intellectual property rights.

Major Foreign investments in Korea

Company name	Local Partner	Foreign Partner	Foreign Investment ($m)	Foreign Share
Hotel Lotte	—	Lotte Shoji Int (Japan)*	539	100
Daewoo Motor	Daewoo Group	General Motors	160	50
Pusan Hotel Lotte	Pusan Hotel Lotte	Lotte Shoji Int*	93	99
Honam Refinery	Lucky Goldstar	Caltex (US)	63	50
Kia Motors	Kia Group	Ford Motor (US)	50	20
Lotte Construction	Lotte Construction	Lotte Ad (Japan)*	50	70
Hanseo Food	Doosan Group	Nestle (Switzerland)	45	99
Honam Petrochemical	Lotte-Daelim Ind	First Chemical Co (Japan)	41	50
Poongsan Metal	Poongsan Metal	Chen-U Rhu (Japan)*	40	92
Yoojin Tourist	Yoojin Tourist	Shangrila Hotel (Hong Kong) Hahshin Travel (Japan)	157	99

* Foreign partners are Korean residents in Japan
Source: Ministry of Finance/Business Korea

With its 40m population and a rapidly growing economy, Korea is already a large market in its own right, but import barriers have made it hard for many foreign companies to break into.

The rationale for many foreign companies setting up business in Korea has been to market their products locally even if this involves a degree of local manufacture. But Korean companies are mainly interested in developing their export potential and some joint venture partners, such as the Japanese computer company Toshiba, have found to their surprise that they are competing in third markets with their Korean units.

Similarly the clash of management cultures can go beyond the foreign partner's failure to understand the traditional Korean business approach which calls for maximisation of sales, scant regard for profitability and a heavy reliance on borrowing as opposed to equity finance.

The foreign partner's failure to take account of Korean inexpertise in marketing can also cause problems. Kelloggs, the US food company, is widely considered to have had a disappointing experience in Korea with its joint venture with Nongshim, a local foods manufacturer, because it failed to grasp the fact that the market for breakfast cereals was limited and suffered from overcapacity.

Paradoxically, a majority stake in a joint venture is not necessarily the best way of ensuring a happy partnership. "Joint ventures where the foreign partner has a 70 per cent to 80 per cent stake have really done quite badly compared with those where there is an equal partnership," says Dr Tony Michell, a leading business consultant. The Korean partner feels that it is simply not worth bothering.

But perhaps the most awkward problem encountered by foreign investors in Korea has been that of intellectual property rights.

Until this year, Korea has had no legislation covering product patents. All that was available was legislation giving protection to industrial processes. The problem that many foreign companies encountered was that Korean companies would copy their own processes and alter them slightly. They were thus able effectively to acquire production rights without either the threat of legal action or payment of royalties.

From July 1 Korea will introduce legislation affording product patent rights as well, but it will not be retroactive and this has caused worries for chemical and pharmaceutical companies which have to carry out a long period of testing between the patenting of a product and its actual launch.

Last year the US threatened Korea with trade sanctions if it did not improve its intellectual property right protection. It won a bilateral deal in which some existing process patents can be converted into product patents when the new law takes effect, but this concession has not so far been extended to EEC countries who are pressing for better protection.

Talks are going on between the EEC and Korea on this point, although they have not as yet produced any firm concessions from the Korean side.

Despite all these caveats, the feeling in Seoul is that foreign direct investment is likely to grow, not least because of the way in which Korea's domestic market should expand as relatively high growth continues and the economy becomes more consumption driven rather than export-led.

On the basis of present growth expectations, Korea is expected to have an economy the size of that of France early in the next century with a per capita income very close.

And, according to Dr Michell, joint ventures in Korea can succeed so long as they are carefully researched with a realistic scale, a measure of competition is built into expectations and the foreign partner has a good personal as well as business understanding with his Korean collaborator.

"The most successful ventures," he says, "have been those where the foreign partner earns a profit from a number of directions: supply of imported goods, technology licensing, technical and economic cooperation, sale of exports, procurement of equipment as well as from the profits generated by the joint venture or wholly owned venture itself."

One UK company which started out on the joint venture trail last year is Glaxo which has a £2.4m venture in the pharmaceutical industry with a local company called Medica Korea. But this 50-50 joint venture was entered into only after Glaxo had 14 years of selling pharmaceuticals in Korea and its local partner is an affiliate of its previous agent, Chong Kun Dang.

Though other pharmaceutical companies in Korea have a poor earnings record, Glaxo expects to break even during its business year starting this July and show a profit by 1988/9.

Mr Leslie Pryce, executive vice-president of Glaxo Korea says: "Investing in Korea is like making a marriage. Both partners must show flexibility and cannot always have their own way. You win some of your objectives and lose some. The important thing is that at the end of each year you can look back and see progress."

Peter Montagnon

Motor Industry

Confident industry aims for middle size slot

VEHICLE PRODUCTION, expanding at a faster rate than almost anywhere else in the world, is becoming an increasingly pivotal motor in Korea's industrial economy.

Anyone who wants to study the way Korea's industrial structure is being pieced together so rapidly need look no further than the country's car makers.

The industry made just 460,000 cars last year but capacity will rise to around 1.5m within the next two years in a programme closely monitored by the Government which, at least until June 1989, tightly controls the industry's shape.

Factory production methods used by the three car makers—Hyundai Motor, Daewoo Motor and Kia—employ Japanese and now West German production technology. Production workers are on 12-hour shifts, six days a week with salaries, including bonuses ranging from less than $300 to around $650 a month.

Joint ventures with Japanese and US partners give the Koreans direct access to design know-how and to many of the actual car models the Korean industry produces.

"Koreanisation" of components, helped along by government assistance has spawned an increasingly large infrastructure of component makers.

Borrowing to pay for new production facilities goes hand in hand with a policy of exporting to service this debt with North America, particularly the US the biggest target for Korea's increasingly aggressive sales drive.

That in itself has produced an in-built vulnerability. Korea's car industry, still in many ways in its infancy, is so dependent on North America that any serious protectionist measures adopted by the US against Japanese car imports but which also roped in the Koreans could have devastating impact on the Korean industry.

That is why Korea's car companies are both eager to explain the industry's expansion plans while remaining embarrassed and somewhat twitchy about what this means in terms of volume sales to the US.

The Korean car industry has already had one dose of shooting too fast, too far. At the turn of the decade the roof rather caved in on the carmakers. In an attempt to rationalise what had then become a loss-making industry the Government ordered Kia to get out of car building, the company retaining its monopoly in vans and light trucks as a counter-trade.

But now the carmakers feel confident again and are determined it seems to become medium-sized producers whose names will be known around the world.

Hyundai Motor, which employs 27,000, was first in the field with its Pony back in 1967 and Kia is the latest, allowed back into the marmaking fold alongside Hyundai and Daewoo. Kia only began production three months ago.

A fourth company, the Ssangyong conglomerate is also in vehicle building following its purchase last year of the financially crippled Dong-A-Motor. This has given Ssangyong a business making specialist truck like concrete mixers, buses and Jeeps but no car building.

No other company is allowed to make cars in Korea, at least until the summer of 1989 when these controls are due to be removed. "The car industry is still at an initial stage of development," says Mr Lim In-Taik, assistant minister responsible for industry. "If we remove these controls now it will cause excessive competition and trade friction."

Hyundai Motor, 15 per cent owned by Mitsubishi of Japan, made 420,000 cars last year and has recently raised capacity to 600,000. This capacity will have been further increased to 750,000 cars by the end of this year.

The company is also building a 100,000-a-year car assembly plant in Canada, due to come on stream in 1988 and has said that it will decide within the next year or two whether to set up in the US.

Its models include the dated Pony, the front-wheel drive subcompact Excel, the Ford Sierra-sized Stellar and the Grandeur, a largish 2-litre engined Mitsubishi look-alike.

Hyundai sold 168,200 cars in the US last year, mainly Excels which sell for as low as $5,100 but with the biggest sales of models costing $7,400. The company had 161 of its own distributors in the US by the end of last year.

Hyundai says it expects to sell between 200,000 and 250,000 in the US this year. It has also indicated that the US sales target in 1988 will be around 400,000.

Daewoo Motor is a 50:50 joint venture with General Motors. It built just 47,000 cars last year, mainly Royale mid-sized saloons based on the Opel Rekord/Vauxhall Carlton, and the dated Maepsy, a look-alike of the old Vauxhall Chevette.

However, Daewoo is stepping up gears rapidly and could be on the verge of becoming a significant car producer. It is expecting to build around 200,000 cars this year, largely based on its new Pupyong plant near Seoul. This plant began production late last year of the LeMans, a virtually identical-looking derivative of GM's current Opel Kadett/Vauxhall Astra.

Pupyong's capacity is 167,000 LeMans a year but this will be increased to 278,000 cars by next year, lifting Daewoo's production capacity to 340,000.

Pupyong is a modern plant, more advanced in production technology than Hyundai's Ulsan facility and uses Opel's West German production methods, including tilt lines, door-off assembly and modular assembly for dashboards.

Daewoo expects to manufacture around 140,000 LeMans this year, shipping 100,000 to North America. They will be sold in the US as Pontiacs through GM dealers.

Kia, in which Ford and Mazda have stakes began car production in February of a Mazda-designed small car called the Pride in Korea and the Festiva in the US. The plan is to produce 120,000 of these this year, with 85,000 exported and sold through Ford dealers in the US. Kia says it aims to make 200,000 Festivas in 1988 with capacity increased to around 300,000 by the end of that year.

All this expansion—if it comes off—will make the domestic market more competitive. The LeMans is already taking market share off the Pony/Excel.

What can result from this internal "liberalisation" is evidenced by Daewoo Heavy Industries which lost its monopoly on diesel engine manufacturing two years ago. Its Inchon plant, with a capacity of 120,000 diesels a year is now making just 40,000 engines.

The domestic market is being further partially liberalised from this summer to allow some car imports. However with import tariffs of around 50 per cent—and several times that for cars above 2 litres which at the moment are not made in Korea—imports are unlikely to cause much of a disturbance.

Korea's components industry is also going through some significant changes. On the one hand, the Government and the car industry have a policy of Koreanisation. On the other, it has been making much play about its switch from some Japanese components to those from the US and Europe, partly to try to dampen down moves towards protectionism.

Some Hyundai cars sold in the domestic market have virtually 100 per cent Korean made components. The company was forced to use more Japanese components however for export models, for example to meet emission controls.

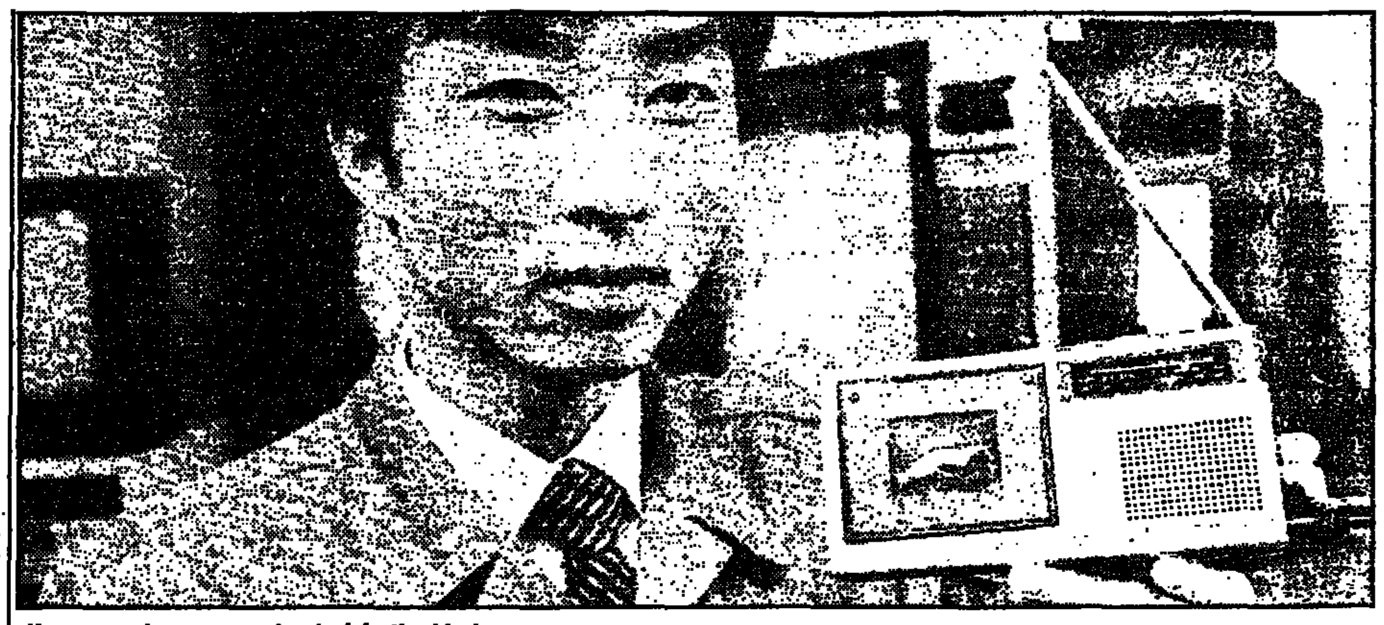
The Korean components industry is developing swiftly however even though Kia is starting off with a high percentage of Mazda components in its new mini car.

Hyundai is now making its own emission kits and has an automatic gearbox plant coming on stream soon. Components makers are also co-operating more among themselves and there has been some discussion about setting up industrial estates just for component makers.

At the same time, the Koreans say they will import more components from the US and Europe. The Government is offering low interest rate loans for companies that wish to buy more non-Japanese parts from outside Korea.

It is questionable how far this will go though Hyundai is quick to point out that it is now buying Goodyear tyres, Libbey-Owens-Ford windscreens and Champion spark plugs for some of the cars it exports.

Nick Garnett



Korean producers now plan to join the big league

Electronics

Research investment pays off

THE ELECTRONICS industry, a medium-sized producer by world standards, is racing hard to join the big league.

Investments in research and enlarged production capacity in the early 1980s by the country's leading electronics companies are beginning to pay off with some startling export-led production increases last year.

Korea's total output of electronic equipment and components at $10.6bn based on ex-factory prices represents less than 3 per cent of the world electronics market and about one tenth or less that of Japan.

This bald statistic though masks some significant product and market penetrations. Korea, for example, claims to have about 20 per cent of the US market for video cassette recorders (VCRs).

Moreover, figures from the Electronic Industries Association of Korea reveal some dramatic increases in production levels through 1986—based largely on booming exports and in a year when Korean electronics companies doubled their rather weak profits of 1985.

Total ex-factory sales of electronic equipment were up 45 per cent in US dollar terms. Production of colour TVs rose by half to almost 7m sets, while VCR output jumped from 1.4m to 3.75m.

Exports—with the US by far the biggest single market—accounted for well over half of sales, growing in value terms last year by about 55 per cent.

That is why electronics companies are nervous about the prospects of protectionism in the US—even though the US does not manufacture some of Korea's best-selling export products—and of the investigations now under way about alleged dumping in the European Community.

Some observers also worry about the speed at which Korea's electronics companies are travelling. "The risk is that the Koreans will over-expand capacity and find themselves selling in a flat market if we get a cyclical downturn just when their currency is rising," say brokers W. I. Carr in Seoul.

At the moment though the industry is forging ahead and is marked by a number of characteristics which should see it through into the 1990s.

The rapid move away from relatively low technology products such as radios and black and white TVs into VCRs, microwave ovens, personal computers and stereo systems continues apace while much more effort is being put into industrial and commercial equipment and semiconductors.

The Government hopes that Korea will have about 7 per cent of the world electronic equipment market in the next decade, and expects industrial and commercial equipment to form 26 per cent of sales by 1991 as again 28 per cent for consumer electronics (the rest are components).

Samsung Semiconductor, which is already producing 256kd rams, will be marketing a one megabit d ram in the second half of this year.

The Government has brought together Samsung, Goldstar Semiconductor, Hyundai and Seoul University to do the core work on a 4 megabit d ram with the intention of having this ready by 1989. Goldstar says it hopes eventually to design a 16 megabit d ram at its research establishment in Anyang.

The main electronics companies already produce 16 and 32 bit personal computers. Daewoo Telecom received from the Philippines last year Korea's first export order for telecommunications equipment. Goldstar expects to have ready within the next four years its TDX 10 telecommunications system which can carry up to 100,000 lines.

The Koreans have been quick to build production plants abroad. Goldstar has a plant in the US making TVs, microwaves and, in the future, VCRs. Its new West German TV and VCR plant begins production in November.

Samsung also has a substantial assembly facility in the US and will soon open a production plant in the UK for microwaves and possibly VCRs.

Saehan Media, the independent, privately-owned company that is now the world's largest producer of video tapes, is building a plant in the Irish Republic which, when it starts producing in 1989, will have the capacity to make 5m tapes a month.

Some electronics companies also say quite openly that they will probably start assembly of computers in countries like India within the near future.

While all this has been going on, however, there have also been moves, supported by Government cash inducements, to make a greater share of electronic components in Korea rather than import them—usually from Japan. This includes substantial numbers of capacitors, resistors and connectors.

Goldstar Electronics says an average 81 per cent of its products are Korean-made but it wants to lift this to 95 per cent by the turn of the decade.

Korean electronics companies have made liberal use of agreements with US and Japanese companies to gain technological know-how. Goldstar has about 50 of these.

At a time though when Korea is seeking even more partnership agreements, there is already evidence that US and Japanese companies are becoming increasingly reluctant to share their knowledge with a country that intends taking a much larger share of the world electronics market.

Nick Garnett

Steel

Cars provide the motor

WHEN SAMMI, a Korean special steels producer, was floated on the local stock exchange this year it was more than one hundred times oversubscribed.

That in itself is an indication of the fortunes of the country's rapidly expanding steel industry, riding high on the back of the car industry's rapacious growth and the steadily rising demand for sheet steel from the country's electronics industry.

Korea produced 14.1m tonnes of liquid steel last year, close to its 15.6m tonnes capacity and putting it on a par in terms of size with small- to medium-sized steel producers like the UK.

Korea's steel output is likely to jump to around 20m tonnes a year by 1988 and could soar to almost 30m tonnes by the early 1990s if expansion projects under discussion eventually go ahead and the vehicle industry does not stumble in its headlong rush for expansion.

It is not all rosy. The industry has been forced to cope with a steep fall-off in exports to the US — once a dominant market for Korean steel — partly because of quotas and voluntarily agreed restrictions. This particularly hurt steel pipe producers though companies like the Pusan Steel Pipe Corporation continue to make profits.

At the same time, Korean construction companies, which absorbed 55 per cent of locally made steel in 1985, have watched their markets in the Middle East shrink while the big construction projects related to next year's Olympic Games have inevitably tailed off.

At the moment Korea's steel industry is extremely weak in specials steels which account for only a few percentage points of finished output as against the 20 per cent for a very advanced industrial nation like Japan. Perhaps surprisingly, this proportion of special steels is not expected to rise much during the next five years.

All Korean steel producers are believed to be making a trading profit buoyed by an ever-hungrier domestic market, particularly for cold rolled and treated steel.

At the centre of the industry is the government-controlled Pohang Iron and Steel (Posco) whose integrated production site spread across 2,200 acres dominates the straggling south-east port town of Pohang.

Posco produced 9.5m tonnes of crude steel last year, 67 per cent of the country's total. Its production was some 400,000 tonnes above design capacity. The rest of the country's crude steel output was shared by five mini-mill producers. Dongbu and Union Steel, together with Dongkook, Inchon and Hanbo.

The first stage of Posco's new site at Kwangyang Bay on the south coast is adding 2.7m tonnes capacity this year and a further 2.7m tonnes in 1988.

Posco management and the Government—which owns 33 per cent of Posco shares directly and a further 38 per cent through the state-owned Korea Development Bank—are discussing the possibility of building another two mills at Kwangyang Bay.

If that goes ahead it will raise Posco's capacity to over 20m tonnes, perhaps by 1993, lifting the company's ranking from eleventh to a slot perhaps among the world's top three steel producers.

Mr Lim In-Taik, assistant industry minister says the Government is cautious about this new phase of expansion and will not make a decision on it this year.

Korea has enough steel capacity coming on stream to see it through until at least 1990 and the decision on further expansion will be taken on the growth performance of domestic steel-using industries, says Mr Lim. Foreign contractors however are expecting Posco to discuss tendering for mills Three and Four at Kwangyang Bay this year.

While all this is going on Posco—which has been led from its inception in 1968 by Mr Park Tae-Joon, a very tough ex-Army general and now Posco chairman—is also engaged in an \$800m modernisation and expansion of the Pohang Bay works. This includes a new billet caster, enlargement of a continuous caster and much larger cold rolling capacity.

Posco which will employ around 19,000 employees after the current phase of expansion, together with 9,000 sub-contract workers is also engaged in driving up the proportion of steelmaking carried out by the efficient continuous casting method.

Continuous casting accounts for about 70 per cent of Korean steel output as against more than 90 per cent in Japan. Posco plans to raise the proportion of concast from the present 78 per cent to 91 per cent. Kwangyang Bay will be 100 per cent concast.

Cost efficiency in production kit is married in Korea to low labour rates. Posco's are thought to be about one third below those of the average in the EEC. Two years ago the company broke a union in one of its production operations during a bitter strike.

The company which made unchanged profits of \$74m last year might be privatised soon. The Government is looking at this possibility—probably for 1989—as well as trading some of its shares on the OTC market this year, partly as a move to dampen the frantic activity on the local stock market.

Mr Bill Stoops at the Seoul office of brokers Vickers da Costa says domestic demand for sheet steel could rise by 20 per cent this year, 17 per cent next year and 15 per cent in 1989 but that these figures might prove very conservative.

It is not only Posco that is jacking up capacity. Dongbu which produced 420,000 tonnes of sheet steel last year is aiming to raise this to 600,000 tonnes in 1988, doubling that again the following year.

However Vickers believes that other sheet steel producers like Union whose sheet output was double that of Dongbu last year are not planning to raise their capacity significantly.

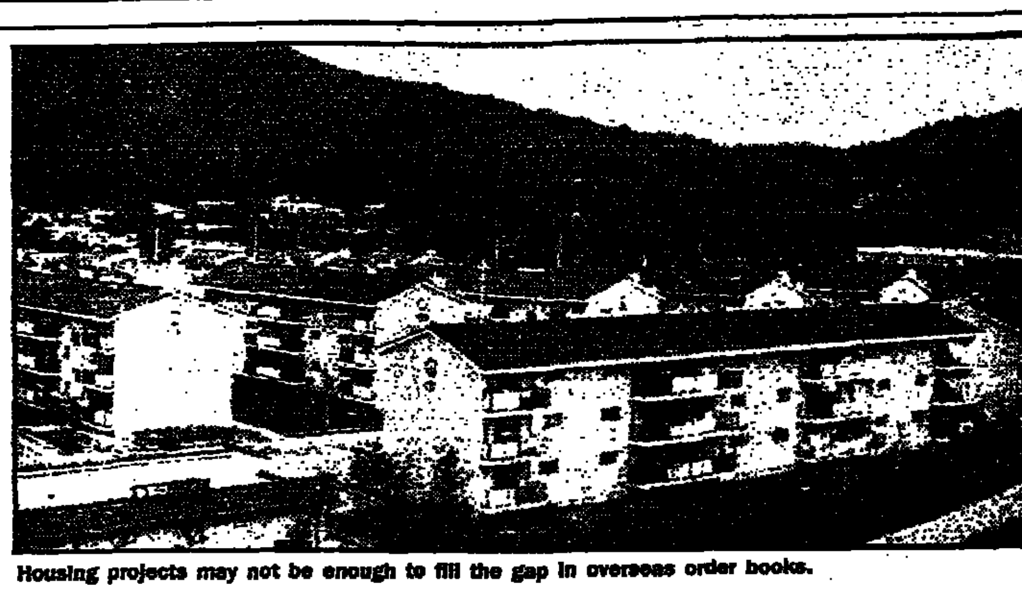
The Government believes that the other five liquid steel producers apart from Posco will increase their liquid steel capacity by 500,000 to 600,000 tonnes over the next two years.

Consumption of steel last year in Korea was only 276 kgm per head as against an average of 500 kgm in the most advanced countries.

Yet there are also two potential points of vulnerability. One is the car industry. That is one of the main growth motors for the steel industry whose future health is now intertwined with the ability of vehicle building to continue expansion and cope with US protectionist pressures.

Also the export climate worldwide is becoming increasingly strained. Not only are big new steel producers like Brazil rapidly expanding output but protectionism in the US and the special difficulties of exporting steel to the EEC will probably make it increasingly hard for countries like Korea to offload production in export markets if domestic growth stalls.

Nick Garnett



Housing projects may not be enough to fill the gap in overseas order books.

Construction

Dilemma for planners

CONSTRUCTION is one sector of Korean industry which is doing badly in an otherwise buoyant economy. Overseas orders have slumped as a result of the collapse of project business in the Middle East and a large government-led rationalisation programme is under way to reduce the number of companies operating in the sector.

Yet with the medium-term outlook remaining bleak, the construction industry poses a serious dilemma for Korea's industrial planners which is still unanswered. How far, in a country which has long been accustomed to central economic management, should the state step in to preserve an industry whose long-term viability is far from assured?

The background to the industry's present troubles goes back to the mid-1970s when Korean companies, largely at the behest of a government which was short of foreign exchange, developed a lucrative niche in the oil-rich Middle East project market.

At the time the emphasis was on size. As is still often the case in Korean industry generally the construction sector placed a higher premium on growth in sales than on profitability. Orders were piled on the books without too much concern over customers' ability to pay.

Now, after the collapse of the oil price, orders have slumped and some key customers, notably in Iraq, have no money to pay their bills. From a peak of \$13.7bn in 1981 orders fell to just \$2.4bn last year. This year, according to Mr Lee Seung-Yun of Korea's Overseas Construction Association, they could fall even further to between \$700m and \$1bn.

Despite Korea's booming economy there is little prospect of the domestic market being able to fill a gap as large as this. Many big projects, such as the Seoul subway system, are now completed.

The Government has created new work for construction companies such as a large land reclamation project worth almost \$1bn near Suwon on the outskirts of Seoul. It is also to build a \$200m dam on the North Han river to protect Seoul from flooding in the event of what it believes could be a deliberate dam burst further upstream in North Korea. But the fact remains that Korea's construction industry now suffers from serious overcapacity.

A glance at the accompanying table shows the effect that this has had on large scale construction companies. Though the figures do not all tell an accurate story as some of the companies concerned are units of larger groups whose accounting is easily obscured, the basic trend is clear. With few exceptions, notably Dong-Ah among the large companies, sales and profits are falling and gearing ratios are rising in a way which poses a potential threat to Korea's creaky domestic financial system.

Under the Government's rationalisation scheme the number of companies permitted to engage in overseas project construction work is to be reduced to around 20 from roughly 40 at present. Some will be wound up, others absorbed into larger and stronger groups at the Government's behest.

The aim is both to protect the local economy from politically damaging shock and to preserve Korea's reputation for reliability in the outside world by ensuring that work actually in hand is completed.

Foreign bankers, who have not so far had to write down their exposure to the construction sector, hope that it will also protect them from losses which would damage Korea's standing on financial markets.

Yet the situation remains fragile. Last December Jungwoo Development Corporation, which had debts of over 200bn won (£144m), collapsed when lenders in the short-term money market refused to extend further credit. In the panic that followed, another overstretched company, Korea Development Corporation, was also forced to file for bankruptcy protection.

As part of the Goverment's rationalisation plan for the industry, Jungwoo is to be taken over by the Byucksan group which is to assume half the company's debt. Daelim Industrial Co. recently took control of Korea Development Corporation from Hanil Bank, its chief creditor, also assuming half the company's 147bn won debt, while the Korea Explosives group was asked by the Government to dissolve its Pacific Construction unit and transfer its debt of 200bn won to other subsidiaries.

As a result of the construction sector's problems, non-performing loans at Korean domestic banks have been rising sharply. Barring a sudden turnround in the construction sector it seems likely that major write-offs will be inevitable at some stage, however adroitly the Government manages the situation.

For, though it is making considerable efforts to diversify, excess capacity in the construction industry is likely to remain an obstacle to recovery even after the rationalisation is completed.

The construction industry owes its brief period of prosperity to the oil boom in the Middle East which it was uniquely placed to exploit because its labour costs were lower than those of Western and Japanese companies.

At its peak in 1982, employment of Koreans in construction work abroad totalled some 170,000. Now the figure is down to around 70,000 and it is still falling.

Though they have some technical expertise in, for example, power plants and desalination plants, Korean companies cannot offer the same technology as their Western counterparts. Nor can they offer comprehensive low-cost export credit packages.

The Government is considering an industry recommendation to improve buyer export credit schemes by extending their maximum maturity to seven years and reducing interest rates to make them comparable to those on Western export credits, but Korean companies will still be unable to offer the type of sophisticated mixture of export credit and development aid that is available from Western countries.

This explains the failure of the industry successfully to diversify into other regions. Korea's low wages, which tipped the balance in its favour in the Middle East, are of no benefit in the North American market because Koreans would not be allowed to work there.

Its inability to provide competitive credit means the industry cannot readily compete in the developing world, where the project market is in any case severely depressed.

All this suggests that the weakness in the construction sector has some way to run before its course is finished. A particularly nagging worry is unpaid bills from war-torn Iraq which has chosen to offer two- or three-year promissory notes instead.

Construction companies have tried to discount these notes in the local money markets, but, where they accept them, bankers will only do so with what they call "recourse" which means that they can claim payment from the construction company if Iraq fails to pay on maturity.

The industry is therefore running a substantial credit exposure to Iraq, which economists estimate at at least \$1bn and probably more.

At some point these unpaid debts are likely to return to haunt the industry and its bankers. As far as the Government is concerned this problem and that of the continuing overcapacity in construction mean it may eventually have to decide once and for all where to draw the line between the kind of patch-up process on which it is now embarked and actually allowing bankruptcy proceedings to take their course.

This is something which Korea is very loath to do, and the case of the construction industry will mark a big test of Korea's readiness to run a modern free-market economy. Mr Lee of the Construction Association, himself a former Finance Minister says: "We have to stick to the principle of capitalism here. If the government does come out and help them (ailing companies), this principle will fade away and it will affect businessmen's incentive to work hard."

Peter Montagnon

Construction company results for 1986

	Sales (Won bn)	% change on 1985	Net income (Won bn)	% change on 1985	Debt to net worth (%) 1985	1986
Hyundai Engineering and Construction	1,849	−6.9	26.5	−18.5	612.2	639.1
Dong-Ah Construction	710	+3.0	2.7	+29.7	498.1	543.8
Daelim Ind.	668	−12.8	2.9	−60.8	561.1	636.6
Hanyang Corp.	440	−20.5	zero	*	1,037.9	1,801.9
Samsung Construction	407	−7.9	1.6	−59.6	753.6	992.4

*1985 profit was 2.4bn won

Source: Business Korea

Agriculture

Farmers well protected

NO ONE in his right mind would today dream of calling contemporary South Korea a banana republic. Yet in a country where bananas are an exotic fruit costing the equivalent of around $1 each the description might even be deemed a compliment.

The high price of bananas, which are imported under a special barter arrangement from Taiwan, illustrates the carefully protected nature of Korean agriculture which is a politically sensitive sector. It is generally assumed that it will be the last sector where trade will be liberalised.

Korean farmers say they need protection for their industry partly because they live in a mountainous country where the soil is generally poor and the winter extremely cold. Because of the inheritance system the size of farms is also small, averaging only 1 hectare each. That makes for high costs. In return farmers feel entitled to receive high prices.

"It is impossible to make our market free. Every farmer would vanish," says Mr S. W. Kang, president of the Seoul Dairy Cooperative and himself a farmer.

Yet in a broader political sense agriculture is also a matter of strategic importance. Not only is the question of basic food security particularly important in a country which has been taught to live in daily fear of invasion from the North. As in many developing countries the Government has to forestall excessive migration to the cities—the capital Seoul is already home to around a quarter of South Korea's 40m population.

The Government feels obliged to strike a balance between industrial growth and urban decline and, most important of all, rural discontent which could undermine the Government's ability to defend itself against the North.

The system of protection varies from product to product. Korea does import farm products which it does not itself produce and the Government does subsidise some sectors of its agriculture, but South Korea's high farm prices basically the consequence of barriers to imports of products which would compete with local produce.

The domestic price is then left to find its own level, although the Government does effectively set some prices, for example, that of rice which it buys in substantial quantities for its own account.

The result is that the domestic price of rice in Korea is some five times the world market price. Consumers are expected to pay the full cost of this, as in contrast to neighbouring Japan the Government does not resell its stocks at a price lower than it paid for them. There is little consumer resistance to high food prices and they have helped keep rural incomes in Korea relatively high in relation to those urban households.

According to figures published by the Bank of Korea average farm household incomes in 1985, the latest year for which data are available, totalled 5.7m Won. This was nearly 80 per cent of the level of their urban counterparts, but an indication of the degree to which farming is still a struggle in South Korea comes from the breakdown of these figures which show that only 3.7m Won came from actual farm business with the rest made up of side—business, which the Government is seeking to encourage, and "other" receipts

Though it is very heavily protected, Korean agriculture has largely escaped the attention of the reform movement in world agriculture. Economists in Seoul say that its position is akin to that of Scandinavian farming which is also allowed to enjoy considerable protection partly to preserve rural communities in the depopulated North of Europe which is close to the Soviet Union.

Perhaps in recognition of this point the US has been less strident in calling for farm reform as part of bilateral trade talks than it has with Japan, which also operates a highly protected system. Currently the US is making two main demands on Korea where agriculture is concerned.

It wants the authorities to open the market to citrus imports and to beef, which is in oversupply in Korea after a cattle-buying spree undertaken by farmers a couple of years ago. But the US is asking only to open the citrus market to imports of oranges during the season when Korean tangerines are not available and for an end to the current ban on sales of foreign beef to luxury hotels rather than general import liberalisation.

According to Mr. Kim Han Gon, director general of the policy bureau of the agriculture ministry in Seoul, Korea is already the fourth largest market for US farm exports overtaken only by Japan, the Netherlands and Canada. US farm sales to Korea last year totalled around $1.6bn, making up 40 per cent of total farm product imports.

The bulk of the imports consisted of grains, which South Korean farmers do not produce and of raw materials for the textile industry in the form of cotton and hides and skins. The latter product alone accounted for $475m of the total.

Overall, Korea's trade in farm products is in deficit with the rest of the world. Imports last year amounted to nearly $4bn while exports were only $589m. The largest single export product was leaf tobacco which accounted for $67m.

Korea is thus not a major player in world agricultural trade, and farming only accounts for a relatively small share of its own economic output. As industrial expansion has gathered pace, farm output as a proportion of gross national product has fallen to 14.3 per cent in 1985 from 24.7 per cent 10 years earlier. The rural population fell to 8.5m or 20.8 per cent of the total population in 1985 from 10m or 28.4 per cent at the start of the decade.

Nonetheless, Korean farmers enjoy a privileged position in domestic politics, not only for the broad social and strategic policy issues mentioned above. Many members of the Democratic Justice Party government of President Chun Doo Hwan sit for rural constituencies and this gives the farm lobby additional strength.

Moreover, the Saemaul Undong or New Community Movement, which is voluntary but claims 10m members or a quarter of the entire population and has close links with the Government, has laboured for years to introduce rural infrastructure development and improve the lot of farmers.

For all these reasons the prospects for farm reform in Korea seem slim indeed. Moveover, the cost of the current protectionist policies is borne mainly by uncomplaining urban consumers and by potential exporters to Korea rather than the Government itself. Mr Kim of the agriculture ministry calculates that farm spending takes up only 6.5 per cent of the Government's total budget.

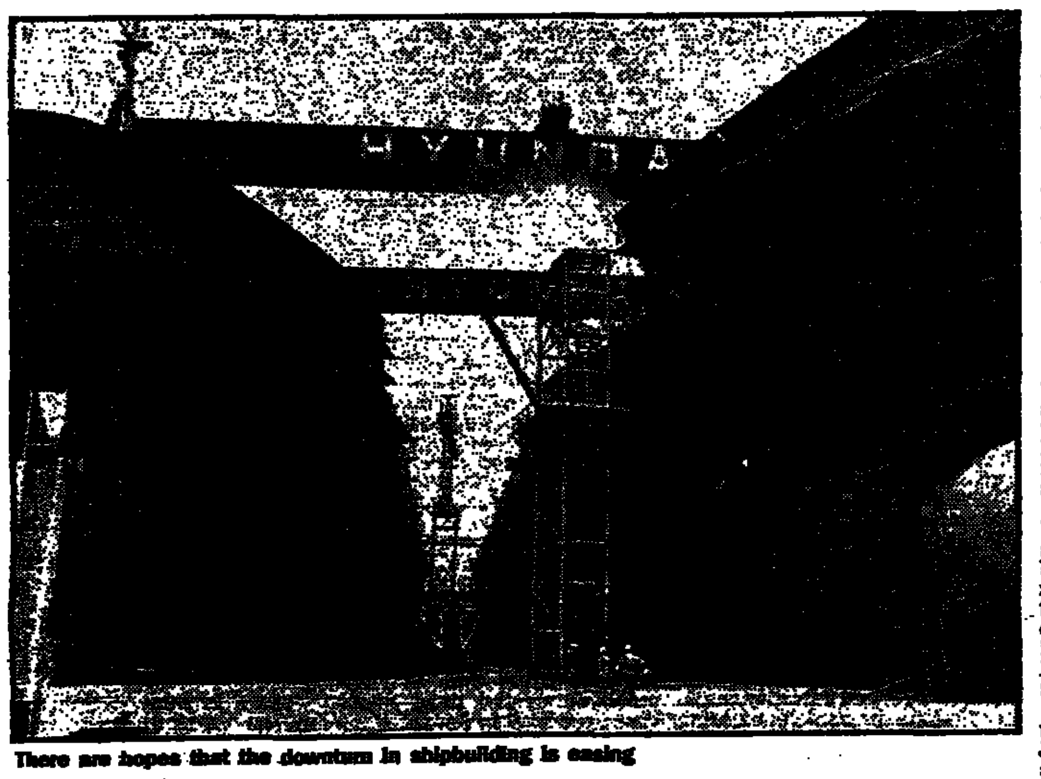
Though Korea now has a surplus of both rice and dairy products as well as beef, the economic cost is simply not regarded as high enough to warrant any change.

Indeed evidence of the Government's continuing desire to nurture the farming industry came with a government decision earlier this year to make available to farmers the equivalent of $1.2bn to help reduce their indebtedness, particularly to unofficial finance houses which charge rates of around 25 per cent.

At the time observers in Seoul assumed that the move was intended to preserve farm support for the ruling party ahead of constitutional reform planned for when President Chun steps down next year. Since then President Chun has dropped the plan for constitutional reform, but according to Mr Kim of the agriculture ministry, the payments to the farmers are still going ahead.

Peter Montagnon

Poor soil and the small size of farms contribute to farmers' difficulties



There are hopes that the downturn in shipbuilding is easing

Shipbuilding

Losses despite support

IN SOUTH KOREA'S shipbuilding yards the pervasive atmosphere among manual workers and managers is still one of gloom.

Last year the world's largest shipbuilding nation after Japan again made losses despite hefty government cash support.

Only shiprepair and breaking yards like Hyundai Mipo made any net contribution to the corporate profits of the *chaebols*, South Korea's big trading and manufacturing conglomerates.

According to the Lloyd's register, Korea completed 128 ships totalling 3.6m gross tonnage last year, lifting its share of the world total to 22 per cent.

Prices obtained in 1986 were disastrously low, however, and the Korean shipbuilding industry is now in the midst of building ships ordered in 1984 and 1985. In the latter year it only took orders of little more than 1m tonnes and through most of last year its shipyards were operating at half capacity. This year the Government expects that fewer than 2m tonnes will be completed.

Labour shedding continued. Between 7,000 and 10,000 workers, many of them subcontract labour, have been released by Hyundai Heavy Industries and Daewoo during the past three years. Many former Hyundai shipyard workers were transferred to other companies within the group.

The performance of many Korean yards would be gleefully accepted by some deeply depressed European and Japanese yards as a sign of success, especially as Korea only started up its shipbuilding industry in 1974.

But in a country where many industries are booming, the image of Korean shipbuilding has been badly tarnished and bad news has never been far away.

Korea Shipbuilding and Engineering (KSEC) was placed in court receivership last month after stumbling into severe cash flow problems. This followed decisions by two Norwegian companies to delay payments to KSEC for six vessels worth $186m.

Daewoo suffered a painful blow when its big $570m contract with US Lines for 12 container ships turned sour.

Having built and delivered the ships, Daewoo Heavy was rocked last year when US Lines filed for protection against its creditors under the Chapter 11 bankruptcy code.

Because of government insurance through the Korea Export Import Bank (Exim) together with the down-payment made by US Lines, Daewoo will be saved from absorbing a great deal of the total order value. The company says that the Exim bank will cover 90 per cent of the losses though by last month the Government had not made a final decision on the issue.

Korea's shipping companies on whose orders the Korean shipbuilding industry was originally built were again under strain last month when the Government announced the enforced restructuring of a number of companies—including 18 financially troubled construction and shipping businesses—in a survival programme.

There have also been several wrangles between Korean yards and shipping lines over the quality of some of the Korean workmanship.

Yet despite all these stresses a belief is growing among most shipbuilding managers that the Korean industry can see it through. The prospects they say will begin to improve substantially through into the 1990s as other countries, in particular Japan, continue to shut down shipbuilding capacity. Hyundai believes that as early as 1989 demand for new ships will exceed supply.

Already signs are emerging that the three to four year downturn in Korean shipbuilding might be easing.

For one thing orders taken in 1986 at least ensure that most yards will be busy well into 1988 even though the prices of many of these contracts were very low, prompting accusations that Korea has simply been buying market share.

For another, prices have begun to firm up. The main Korean shipbuilders acting in concert actually drove up prices by 10 to 15 per cent at the end of 1986. Mr Sung-Hyuk Hwang, senior vice-president for sales at Hyundai shipbuilding in Ulsan says some Korean companies would have been better off moderating their order intake through the early part of last year to take advantage of higher prices towards the end of 1986.

"Now we have started to think again of profit margins," says Mr Hwang who trained at the Scott Lithgow yard in Scotland. However, talk of 5 per cent margins is "too much" at this stage, he says.

This view is shared by Mr Yoon YungSuk, president of shipbuilding at Daewoo, whose big $500m Okpo facility in the south, completed in 1981, was the last major piece of shipbuilding infrastructure built in Korea. The industry, says Mr Kim, should now show slow but steady improvement.

The yen exchange rate is hurting Japanese yards though Japan remains by far the biggest shipbuilder having completed 650 ships last year with a tonnage of 8.2m, 48.5 per cent of the world market as against 52 per cent last year.

Japanese yards use much better production technology than Korean yards, utilising equipment like tower-crane size robotic welding equipment. Japanese productivity, excluding labour costs, is probably twice as high as in Korea.

However, very low labour costs—workers at Hyundai shipbuilding are paid around $550 a month, including bonuses—and the effect of the yen rate make Korean yards at least five per cent more competitive than Japanese yards.

The high value of the yen though is a double-edged sword for Korea's shipbuilding companies. Korean-made ships typically have 30 to 40 per cent import content—mainly auxiliary engines, pumps, boilers and navigation equipment as well as a great deal of steel—and most of this comes from Japan.

Hyundai, which accounted for well over half the tonnage completed by Korea last year, ahead of Daewoo says its import content is around 20 per cent, with 40 per cent of its steel plate imported.

The yen therefore has also had a negative impact on Korean production costs, absorbing a lot of the price increases obtained at the end of last year. "Exchange rate factors really burned Korean shipbuilders last year," says one observer.

Even though Korean shipbuilders, which make most of their own primary ship engines, have been looking to increase the domestic component content of locally-made ships, the opportunities for going further than they already have are severely limited.

Korean shipbuilders are also showing interest in building more advanced ships. Hyundai last year delivered its first passenger vessel—actually a mixed container-passenger ship for a Norwegian line.

It has already built five refrigeration vessels and some liquid gas carrying ships but no liquefied natural gas vessels but Mr Hwang says the company has the ability to build such ships.

However Korean yards are trying to keep a balance between the need to attract orders and sensible levels of production investment given the small volume of orders for many types of specialist ship.

Shipbuilding companies tend to dismiss those who suggest that Korea will outstrip Japan over the next five years but there seems little doubt that Korea is committed to shipbuilding as a long-term industry.

Nick Garnett

Machine tools

Seeking export opportunities

KOREA'S machine tool industry is a minnow compared to that of Japan and West Germany. The core of its stand-alone machine tool production is the standardised CNC multi-purpose machining centre and overall the industry's technological capability is only low to moderate.

The Koreans believe however that considerable export opportunities are now available, partly because of the impact on the Japanese machine tool industry of the yen's exchange rate.

The Government is also keen to reduce the large trade imbalance in machine tools. As a result of learning about the industry through the manufacture of mainly Japanese-designed machine tools followed recently by in-house design of their own machines, more sophisticated Korean machines are beginning to appear. These include Korean-designed flexible manufacturing systems though without automated materials handling.

The rapidly growing domestic car industry which still uses largely Japanese or West German production technology is also beginning to spawn a rudimentary vehicle-related equipment building industry. Hyundai has developed its own transfer machinery for example.

The country manufactured $350m worth of machine tools in 1986, including machining centres, lathes and milling and boring machines, according to Ministry of Trade and Industry figures.

Its exports, mainly to the US with smaller numbers sold in Japan, West Germany, Indonesia and the UK amounted to only $27m, less than the Government had predicted and almost unchanged from 1985. More than a half of the $680m domestic machine tool demand was met by imported machinery, mainly Japanese.

This year the Government is hoping that domestic production will rise to around $450m with an ambitious target of doubling exports to $55m.

Korea has 110 companies listed as making machine tools but many of these are tiny and probably include component makers and some producers of powered hand tools.

By far the largest machine tool maker is Daewoo Heavy Industries, followed some way behind by Tongil and Swachon.

Daewoo which produces around 1,000 machines a year at its Changwon plant, 250 miles south of Seoul, is one of the most innovative heavy engineering companies in Korea.

As well as a range of CNC machining centres, lathes, boring and milling machines it also makes its own-designed laser cutting equipment and robots.

Daewoo Heavy has introduced a cylinder block and crankshaft flexible manufacturing line for its V8 diesel engines made at Inchon. The line uses Daewoo's own machines but fixtures holding the parts to be machined are transported to the machines by a manually-controlled transporter rather than by automated guided vehicles which are now increasingly common in Europe and the US.

The group which uses Japanese Fanuc controllers on its machine tools is trying to develop its own CNC controllers but concedes that this is at least three to five years away.

Daewoo says its total machine tool sales last year were $43m and its target for this year is $63m. Exports accounted for 36 per cent of sales in value terms. The company has indicated that it wants to raise its share of exports to Europe from about 30 per cent of total shipments last year to about 50 per cent in 1988.

Tongil is also pushing further into Europe and has suggested that its target is to sell about $13m of machining centres and milling machines in Europe in 1988.

The Government is trying to "Koreanise" more machine tool components and recently reduced tariffs on some raw materials, including special metals used in tool manufacture.

Korean machine tools have so far presented little threat to indigenous European producers. However in open markets with a relatively weak domestic industry, like that of the UK, low-cost Korean as well as Taiwanese products have tended to disturb prices at the bottom end of the market.

Nick Garnett

Social trends

The rise of the middle classes

RUMOUR in Seoul has it that there are more Mercedes cars in North Korea than in South Korea—but that by this measure, as in so many others, the South is about to surpass the North.

Moreover, economists in the South would argue that the Mercedes index has a different meaning in the two countries. In the North, it reflects the extent to which the authorities are rewarding themselves with perks. In the South, it reflects a rapidly expanding affluent middle class.

The emergence of a strong middle class is one of the most striking features of South Korea today. Foreign residents say they can detect by the month, if not by the week, increases in the number of cars on the roads and improvements in the way people dress.

The Government's surveys of social indicators yield less dramatic proofs of this, but they are still convincing. For example, in 1985, 53 per cent of the people considered themslves to be in the middle class compared with 41 per cent in 1980.

Food consumption as a proportion of private consumption spending has dropped from 54 per cent in 1971 to 44 per cent in 1985. Persons per car has dropped from 486 in 1971 to 74 in 1985. A perhaps more telling statistic is the decline in population growth, from 2.3 per cent in 1969 to 1.25 per cent last year. Most couples now have only one child.

Koreans are well placed to take advantage of their increasing affluence. Education has been a priority in the country ever since the Second World War, and the participation rate in post-secondary education is one of the highest in the world at over 90 per cent.

However, these new social patterns bring with them new concerns and problems. Social scientists in Korea wonder if affluence will take the edge off people's drive. What will be the effect of only-child families on social behaviour? Will there be enough jobs of the kind that college graduates will find attractive? Will the gap between rich and poor widen to an extent that causes resentment and social unrest? What impact will the growing middle class have on the politics of the country?

Many of these questions are still somewhat premature. Incomes in Korea are still relatively low. The average income of urban households in 1985 was just over won 500,000 (£360) per month, and food, lodging and education remain the major concerns of most families.

The Government's recent audacious and arbitrary decision to postpone constitutional reform for at least a year and outlaw debate was probably based on a shrewd assessment of the public mood. Some Western diplomatic observers believe that most Koreans are highly pleased with the growth in their living standards so far. Conscious of the country's sharply improved circumstances, they are confident that more is to come, and so they are not inclined to protest. At least not about politics.

Ironically, it is the growing upper middle class, composed of senior civil servants, industrial managers and professionals, who have so far proved the most pricklish about political questions. In the 1985 National Assembly elections, only the constituencies in which these people live where voters had the temerity and the wit to find a way through the arcane electoral system to vote against the Government. But this group is not yet big enough to be really troublesome.

On the other hand, income distribution is becoming a sensitive issue among a wider section of the public. The country's dramatic industrial successes have made a few people spectacularly rich, and Korea is still a small enough countrythat their affluent indulgences cannot be hidden.

Carving traditional Korean masks is one form of employment but the big growth has been in manufacturing industry.

According to Dr Hakchung Choo, a senior official in the Economic Planning Board (EPB), Koreans are very egalitarian people by nature, stemming from their long periods of poverty and subjugation to colonial powers. Thus, they will not tolerate the emergence of large differentials in incomes.

Dr Choo says Korea's income distribution curve (Lorenze curve) is relatively egalitarian compared with some countries, and says that Korea no longer has any abject poverty or starvation. Also, the curve has straightened slightly in the 1980s, meaning that the distribution has become less unequal. "That is what the figures show, but my feeling is that people's tolerance of the very rich is decliningg rapidly," he says.

However, he argues that wealth concentration is reaching a peak because of the success of a number of self-made men. As their fortunes are dispersed among inheritors, the concentration will ease and with it, he hopes, the growing resentment of the middle classes.

As for the question of Koreans' motivation, Dr Choo makes no bones about his concern. As he sees it, up to now Koreans have been highly motivated largely because of their poverty and what he calls their *predicament*—that is, being crowded together in a small country with no resources, little arable land and a substantial security threat.

Koreans have now substantially overcome both their poverty and, with the exception of the security threat, their predicament. They appear, however, to be running into the same problem of matching jobs with skills that plague many western countries.

In the immediate post war period, the country's emphasis on education was criicised for being beyond its means, but it is now recognised as having been a good thing. As in other developing countries, most of the top calibre graduates left the country, but the depth of the system meant that there were enough others to provide the competent management base for industry and government.

Now university graduates are less likely to leave the country, but the existing industrial structure is unable to absorb them all. The hope is that the new affluence will lead to a rapid development of the productive services sectors, such as finance and information technology, which needs large numbers of highly educated people.

Ian Rodger

Refrigerator motor assembly: pay is important but Korean workers like to think they are working with the next generation in mind.

Labour management

A modified Japanese model

"I THINK life is better here for us you know. It only takes me 15 minutes to drive to the golf course, not two or three hours. In Japan I would not have a car with a chauffeur."

Sitting in the back of his black Korean-made Ford Granada Mr Hong Sung-Eun, chairman of Lucky-Goldstar's central research establishment compares the lifestyle of the Korean corporate director with that of his Japanese counterpart.

Articulate and well travelled Mr Hong is one of the many top managers working for Korea's 30 or so debt-laden but voracious chaebols.

These are the big industrial and trading conglomerates at the heart of the country's economic explosion whose double digit growth rates have spawned a kind of mini-Japan.

Over lunch of spaghetti and veal at a continental restaurant in the dusty and sprawling industrial town of Anyang where Goldstar houses its impressive R and D centre Mr Hong likes talking about cars.

As a wedding present he has recently bought his daughter a Pride, the new Mazda-designed mini car which Kia, the Korean van and truck builder has just started assembling as part of the country's booming car industry.

Now that Korea's car market is being partially liberalised his wife wants him to sell the family's Hyundai Stellar and buy a Volvo, despite the huge import duty that will make the car very expensive. "You know the Volvo is very safe. My wife likes that."

One of the paradoxes of Korea is that for a country whose industrial growth has been partly built on tenacious energy and hard work of Stakhanovite proportions many Korean managers remain relaxed, talkative and jovial unlike their often strained and tense Japanese competitors.

That might appear surprising. The chaebols are worried about their enormous debt burdens, vulnerable overdependence on the US market and their role as whipping boy for allegedly being too overpowering and unwieldy.

But that bonhomie, mixed with a liberal dose of bluntness to the point of stroppiness that seeems ingrained in the Korean character partly explains something striking about Korea's production plants that are powering Samsung, Hyundai, Daewoo and the rest onto the worldstage.

On the face of it these factories look like clones of those in Japan upon whom Korea has modelled its growth. But in many ways they are very different.

Korea's factories certainly look very much like Japanese ones. They generally use Japanese production technology and Japanese workflow and stock control methods.

They also have some very similar labour management practices, including the extensive use of company housing which for non-married workers usually takes the form of dormitories (or barracks for those who do not like this type of set up).

Pohang Iron and Steel, for example is not unusual in having 10,000 of its employees living in company accommodation at its big east coast site.

Working regimes are as tough in the export leading industries like car making and electronics as they used to be in Japan before that country got soft and largely dropped Saturday shifts.

Workers in vehicle building and electronics have enormously long hours—usually 12 hour shifts, six days a week. With two hours a day set aside for meals and two 10 minute breaks this adds up to a 60-hour week, usually with one or two hours a day at overtime rates.

At Samsung Electronics the largely female production workforce operates from around 8.30 am to 9 pm on the day shift though they finish much earlier on Saturdays.

This sometimes applies to white collar staff. Saehan Media, the world's biggest video tape manufacturer is opening a factory in Ireland and because of the work this is generating office staff, including secretaries, are often in until 10.30 pm.

The chaebols also use Japanese-style bonus payments usually worth between three and five times a month's salary during the year.

Pay for production workers in manufacturing usually ranges from around $250 to $600 a month, including bonus, though in some small textile companies pay might be as low as $100. Executive directors in the big companies are paid around $18,000 to $22,000 a year. These figures do not look much to some western countries but Korean wages have come a long way since the early 1970s.

Yet in many other ways Korean companies are different. For one thing employees work hard but there is a slightly more diluted sense of commitment than what has served Japan for so long.

"If I say I am working these very long hours just for the benefit of the business, people will think I am crazy," says one Daewoo manager. "We like to think we are working for the next generation."

Changing jobs does not go on in the same way as in the West but labour movement is much more pronounced than in Japan. Textile companies in and around the southern city of Pusan have been complaining bitterly about losing workers to higher paying electronics companies.

There is also some poaching of managers, again often by electronics companies and those managers take on their new jobs at higher pay.

Among potential managerial staff there is faster promotion for high flyers than is characteristic of the dead man's shoes practice in Japan. Many Korean university graduates are still earning $400 a month working in marketing or product development by the time they are in their early 30's. But some of the best graduates will have moved up quickly by their late 30s and it is not unusual to meet men like Mr Kang In-ku, an R and D director at Lucky-Goldstar in his 40s.

In a country like Korea where there is still a great deal of bowing at lift doors and deference to rank, these differences with Japan can be overexaggerated.

But there is undoubtedly more potential areas for labour friction than there was when Japan was launching itself on the world. "I think one of the big issues that will govern how Korea performs in the future is labour," say Mr Bill Stoops of brokers Vickers da Costa in Seoul.

Japan has a widespread system of company unions with a reasonably well developed sense of consensus which helps to act as a safety valve. Korea appears to have neither.

Company unions are technically banned by law—organisation has to be based on individual production plants. However, Daewoo and Lucky-Goldstar each have a kind of cross-plant union whose officials are elected by members. Hyundai and Samsung though remain virulently anti-union.

As in most large Korean companies the latter two chaebols have a central committee, made up of senior managers and management-picked shopfloor representatives which meets monthly or weekly to discuss labour-related problems. It seems such committees though can include virtually no bargaining.

"If there is a problem it must be sorted out the day it comes before the committee," says Mr Sung-Hyuk Hwang, senior vice president for sales at Hyundai shipbuilding. "It is a company rule."

There have been some strikes. There was a 10-day affair at Doewoo Motor in 1985, a short coalminers' strike last year which resulted in the blocking of a railway line and some stoppages in textile factories. Taxi drivers in a section of Seoul staged a half day stoppage last month in protest at the level of fares.

There is some pressure for unions partly because many workers are aware that Korean pay has fallen behind that of Singapore and Taiwan. The Asian-American Free Labour Institute, affiliated to the AFL-CIO believes this will eventually result in the creation of labour organisations in Korea somewhere between western and Japanese-style unions.

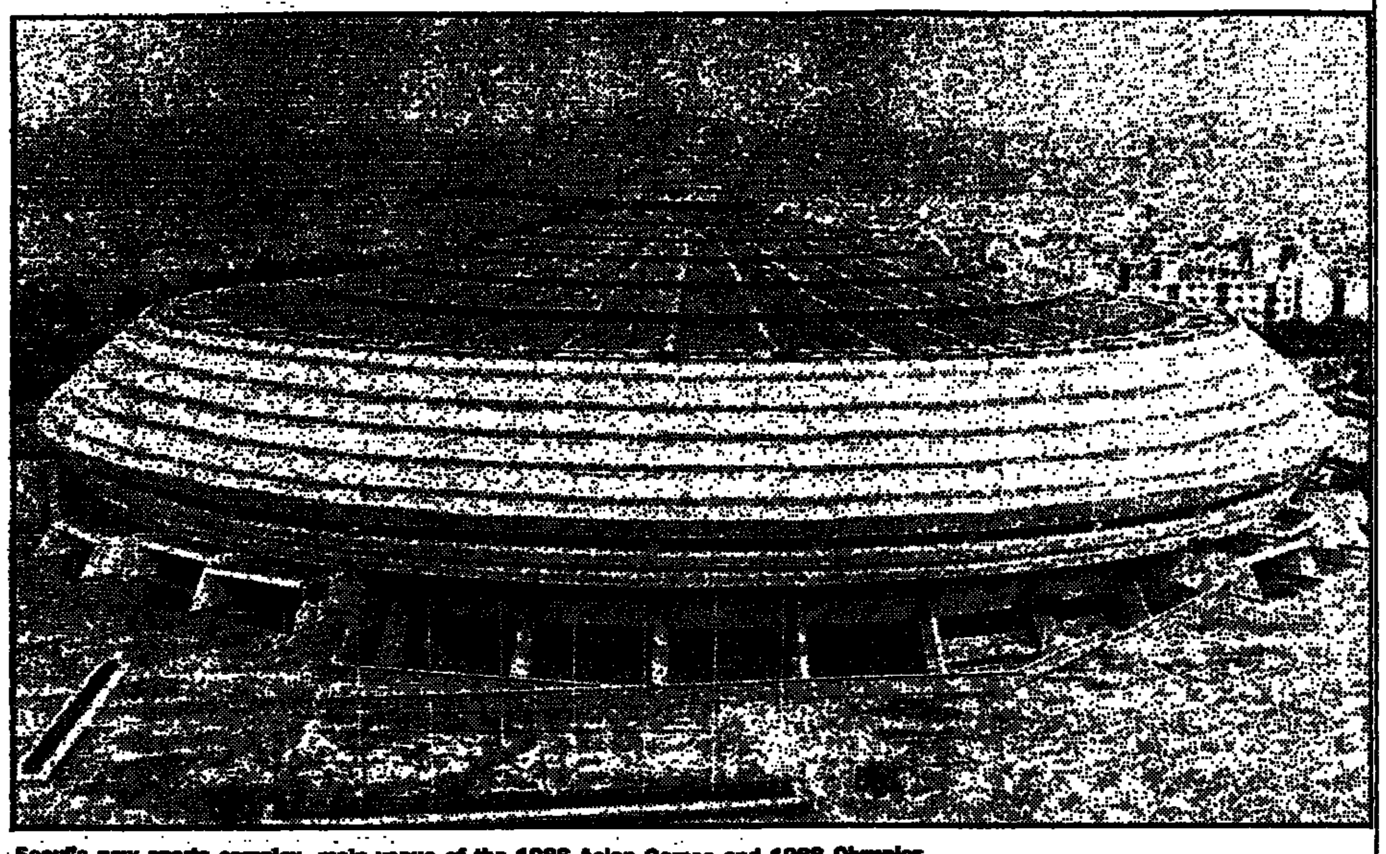
The Government, which tightly controls the shape of Korean industry and plays a large part in setting wage levels has indicated that it might change tack and encourage the spread of Japanese-style unions. The Free Labour Institute says it is doing to to head off the formation of more adversarial-type labour organisations.

For the moment though no one believes that Korean labour organisation will change very much in the near future or that the country is in for a serious bout of shopfloor turbulence. "People are still working for fridges, televisions and maybe cars," says Mr Harry Kamberis of the Institute.

Mr Chung Se-Yung, Hyundai's new chairman puts it rather more graphically. "People are hungry for money," he says, shaping his fist into a claw. "You know like a cat with a mouse."

Nick Garnett

SOUTH KOREA 11



Seoul's new sports complex, main venue of the 1986 Asian Games and 1988 Olympics

Exploring Seoul

Peace and quiet to be found away from capital's crowds

AT FIRST glance, Seoul may remind you of some of the less attractive cities in eastern Europe, But although it suffered severe damage in the Korean War, interesting historical remains of the old city can still be found.

For the visitor, they have the advantage of offering peace and quiet away from jostling crowds and a chance to understand a culture which few in Europe know much about. Enormous attention to detail in landscaping and garden design make Seoul a more attractive place to visit in spring and autumn. The countryside, at times breathtakingly lovely and always a refreshing change from the city, is worth a visit, however, at most times of the year.

Day and weekend trips are easily made from the city, without the need for a car and driver or an interpreter. For those who enjoy walking or mountain climbing, the choice is enormous, but more gentle excursions are also plentiful.

Within the city walls, and close to down-town Seoul, Kyongbok Palace is an excellent way to begin exploring the history and culture of Korea. The palace is now completely hidden from view behind the Japanese-built old Capitol Building, now the National Museum, at the end of Sejongro.

Built as the main royal residence at the beginning of the Yi Dynasty, in the 1390s, the palace served as the axis of power for more than 200 years. It was then destroyed in the Hideyoshi invasion in 1592.

It was rebuilt in the late 19th century, and the formality of its layout and construction is said to be based on the same architectural principles as the Forbidden City in Beijing, and the Imperial Palace in Kyoto.

Although many buildings were destroyed to make way for the Capitol Building, many important structures remain, including the Kungjon-jon, the palace's throne hall, which was the site of the coronations of eight of the early Yi Dynasty kings.

The National Folk Museum is at the rear of the grounds, and the National Museum is directly in front of the throne hall. Kyongbok Palace is open daily and the National Folk Museum daily (exept Tuesday).

After the destruction of the Kyongbok Palace the kings of the Yi Dynasty moved to Changdok Palace which had originally been designated as an auxiliary palace. It is a short walk to the east along Yulgokno. This complex was almost continuously occupied for the next 300 years.

It was here that the 27th, and last, king of the dynasty of more than 500 years lived as monarch. The grounds and buildings have been painstakingly restored.

The greatest attraction of Changdok Palace is the Piwon (or Secret Garden). This was laid out in the 15th century and greatly expanded. The 70 acres are a fine example of Korean landscape gardening, and well worth a visit especially in the Spring and Autumn. This royal retreat is only open to the public on a limited, guided tour, basis. Conducted tours are in English and Japanese.

For those with a little more time to spare, the Korean Folk Village, about an hour to the south of Seoul is purpose built to give a flavour of a traditional rural Korean community. That flavour covers daily cultural shows, mock weddings and funerals as well as the more tangible flavours of Korean food and rice wine. Craftsmen demonstrate their skills and the activities of the village alter to suit the season.

Various bus tours depart directly from Seoul, or else take the subway from City Hall to Suwon on one branch of the Number One line. Buses shuttle to and fro between Suwon station and the Folk Village.

Suwon City itself has many attractions for the visitor. In the late 18th century King Changjo used to visit Suwon often to visit his father's grave. He had a plan to move the capital of the Chosun Kingdom from Seoul to the city, and began to upgrade Suwon's importance accordingly. Recent restoration has resurrected much of his engineering and fortification work, and it is now possible to see the city much as it was meant to be.

Once you have toured the walls of Suwon you may still have time to take the narrow gauge railway from the city north west to the historic port city of Inchon. The journey takes about an hour and a half.

Inchon is of interest to military buffs of the Korean War, as a site of the first foreign communities in Korea and as one of the first treaty ports. General MacArthur and his historic landing which turned the tide of the Korean War, are commemorated in Freedom Park.

MacArthur's statue is accompanied by a bust of Rear Admiral Shufeldt, who signed the treaty establishing diplomatic relations between the United States and the Chosun Kingdom, in 1882.

A wander along the wharf in Inchon gives a taste of this port city, with its enormous fish market and numerous seafood restaurants. Passenger ferries go from the wharf to outlying islands. Inchon connects to Seoul by a branch of the Number One subway line which passes through City Hall subway station.

A ferry from Inchon is one way to get the Kwangwha island which lies to the north west of Seoul. It can also be reached by road as a bridge connects the island with the mainland. Aside from being extremely scenic, Kwangwhado is interesting due to its strategic location at the mouth of the Han and Injin Rivers.

It served as a royal refuge for kings escaping Mongolian and Manchurian invaders. The island has also been the site of many battles right up to the late 1800s as Korea fought to remain the "Hermit Kingdom."

Those truly interested in the culture and history of Korea may like to phone the Royal Asiatic Society.

They have tours most weekends led by knowledgeable people, often members of the foreign community who have lived in Korea for many years. Royal Asiatic Society:—Tel: 763 9483. **Discovering Seoul** by Donald N. Clark and James H. Grayson is an excellent, up to date, guide book of Seoul and its environs.

Finally for those with sporting interests, there are a number of physical pursuits easily accessible from Seoul, either midweek or at weekends.

Between approximately the last week in December and the middle of March there are several ski areas within an hour or so of Seoul. Chonmasan is an hour east of Seoul, and probably the most developed.

There are three chair lifts and adequate equipment can be hired, although large size boots and skis over 190cms can be difficult to obtain. Blown snow ensures reasonable conditions.

Night skiing is possible and the slopes are of medium difficulty. A simple small hotel next to the slopes caters for those wanting to stay the night. The attraction of skiing in Korea is the generally sunny weather and lift queues are rare except on a Sunday afternoon.

The Olympics have led to the development of a huge number of facilities. In addition, the banks of the Han river have been the subject of a redevelopment project. To the east of Chamsil on the south bank of the river, almost opposite the Sheraton Walker Hill Hotel, is the Seoul Marina Sailing Centre. This opened in April 1987. Dinghys and windsurfers can be hired on a daily basis.

When travelling in and around Seoul, it is essential to have won as well as US dollars. Museums tend to have nominal entrance charges. It is also advisable to have your destinations and hotel name written in Hangul on separate pieces of paper. This will greatly ease communication problems if you get lost.

Alison Strugstad

Shopping

A paradise for the browser

SEOUL'S fashionable Itaewon is a street justly famous for the clothes, eelskin and leather goods, and the athletic shoes which abound there. It is a must for the first time visitor to Seoul.

It is here you find Pizza Hut and Baskin and Robbins ice-cream sandwiched between antique shops and trendy boutiques. English is widely spoken and prices are often quoted in US dollars, although Won can also be used.

In the evening the area transforms into its equally famous guise of bars, night clubs and jazz spots. Take a taxi to the Yongsan end of the street and wander along. There are more than a thousand shops and stalls to choose from.

Although the most obvious bargains are in casual clothes and shoes, worth noting are brass goods, especially bedsteads, which make very popular export items. Copper cookware is another unexpected bonus, and the patchwork quilts offer excellent value.

Bargaining is a dying art, but expect to be able to negotiate a discount if you buy more than one of a particular item. Not all Itaewon bargains fall into the cheap price range.

Jindo Furs and Woodung are almost opposite each other half way along the street. They sell top quality fur coats and other fur products for export only. The range in both shops is enormous, from racoon to sables with every kind of mink in between. Any purchases are picked up at Kimpo airport on departure.

Shops worth noting in Itaewon are Victory Town for casual clothes, Seoul Arcade for silks and custom made ski wear and Tannery East for leather jackets, etc.

A more collegiate atmosphere of trendy boutiques and excellent women's shoe shops can be found near Shinchon station at the gates to Ewha Women's University. A greater selection of shoe styles is found here and shoes will be copied.

Anything bigger than an English size 5 will almost certainly need to be custom made. This only takes a few days.

Accessory shops in the area are also excellent, and weary feet can be rested in the plentiful coffee shops. English is less predominant than in Itaewon, and prices will generally be quoted in Won.

The real bargain hunter must take off to the markets at either Namdaemun (South Gate) or Tongdaemun (East Gate). Any taxi driver will know them, and Namdaemun market is the most convenient for the downtown hotels. It is also rather smaller than Tongdaemun, and somewhat less intimidating!

Namdaemun sells everything including meat, vegetables, costume jewellery, clothes and magnificent flowers. Even if you have no intention of buying, try to find the flower market on the third floor of one of the main grey buildings—it is fabulous.

Tongdaemun market specialises in fabric and clothes, although if you hunt you can probably find almost anything there too. Do not wear expensive jewellery in either place, and do not go to these markets if you do not like being jostled. They are extremely busy especially at weekends.

Korean antiques and art are gaining greater recognition at home and abroad—this means that bargains are no longer what they once were. A trip to Insadong, or Mary's Alley, is a treat for any visitor. The street is a myriad of shops, covering all aspects of Korean art and crafts and not only the ubiquitous Korean chest.

There are ceramics, including celadon, masks, calligraphy brushes and inks, paintings both modern and traditional, books, kites and much more. The narrow street is a flash back to a quieter time in Seoul.

The shops are supplemented by a range of excellent restaurants. Most shops will arrange packing and shipment of goods bought. Be aware that certain items, especially those over 100 years old, may require special permission to be exported from Korea. The vendor should provide you with all the correct papers.

It is worth mentioning Tongin for its wide range of goods and Gold House Antiques. The Sanchon Vegetarian Restaurant is popular and has a cultural show in the evenings.

All the hotels have a variety of shops carrying jewellery, celadon, eelskin bags and wallets and other easily transportable items. While diamonds and other precious stones are not an especially good buy in Korea, the semi-precious amethyst and smoky topaz can be found set and unset in many locations.

Given a little time many of these jewellers will set pieces to your own design. The basement of the Lotte Hotel leads into Lotte First Avenue. This has a great selection of upmarket shops and boutiques. Sun and Moon Antiques are well worth a visit. They have an excellent selection. Unusual ceramic items, condiment dishes, and chopstick rests can be found elsewhere in the avenue.

The real explorer into the shopping possibilities of Seoul should buy Inside Seoul. This is stocked in most hotel bookshops and is an excellent guide to many areas and specific shops. As it is supplemented by maps detailing, for example, Itaewon and Tongdaemun market, it is a great help in finding exactly what you want. The book is widely used by foreign residents in Seoul.

Alison Strugstad

Business guide

What, when, where, and how, to do things

Public holidays
Fixed dates: Jan 1, 2 and 3. March 1 (Independence Movement Day). April 5 (Arbour Day), May 5 (Children's Day). June 6 (Memorial Day). July 17 (Constitution Day). August 15 (Liberation Day). October 1 (Armed Forces Day). October 3 (National Foundation Day). October 9 (Hangŭl Korean Alphabet Day). October 24 (United Nations Day). Dec 25. March 10 is not an official holiday, but most places of business are closed.
Variable dates: Buddha's Birthday. Chusok (Moon Festival Day). The three days of Chinese New Year are also widely observed by commerce and industry, though not official holidays.

Trade fairs
Contact the Korean Exhibition Centre for information.

Working hours:
Sunday is the weekly closing day. Service establishments open as late as 2200, over weekends and on public holidays.
Business: Monday-Friday 0900-1200, 1300-1800; (Saturday 0900-1300).
Government: Monday-Friday 0900-1200, 1300-1700; (Saturday 0900-1300).
Banking: Monday-Friday 0930-1630. (Saturday 0930-1300).

Press
Dailies: There are 28 daily newspapers, including six national dailies with a circulation of more than 600,000 each and two English dailies—the Korea Herald and the Korea Times.

Electricity supply
110 and 220v AC. with two-pin square plug fittings and screw-type lamp fittings (gradually switching to 220v AC).

Weights and measure:
Metric system used in commerce: local system also in use, especially relating to land and buildings (*Pyong*=35.6 sq ft, *Kwan*=8.3lb, *Kun*=1.32lb).

Telecommunications
Telephone: Dialling code for Republic of Korea. IDD access code + 82 followed by area code (Seoul 2; Pusan 5) followed by subscriber's number.
Telex: 24-hr public telex office at KTI (Korea National Telegram). 1 Choongmo-ro. Chung-ku. Seoul. Telex facilities also available at major hotels.
Telegrams: Telegram service from post offices (0900-1730), with 24 hrs emergency service.
Postal service: Korean authorities sometimes exercise their right of censorship. Overseas mail should be sent via air mail.

Useful telephone numbers

Police	112
Fire/ambulance	119
Directory inquiries	114
International calls	1035/1037

Social customs
Korean surnames precede given names, and given names are never used alone, except by intimates. The family names ' Kim ', ' Lee ' and ' Park ' cover more than half the population, which can be confusing. Business associates are normally addressed by title (e.g. Director Kim or Manager Lee, etc.). Business entertaining usually takes place in restaurants and wives do not participate.
Business visitors should carry a good supply of business cards, which are exchanged on introduction. Use the right hand when giving or receiving. Outdoor shoes should never be worn inside a house.
There are certain areas, particularly near the demilitarised zone, where entry and photography are forbidden.

Useful addresses:
Association of Foreign Trading Agents of Korea (AFTAK), 45-14 Yoido-dong. Yungdung po-ku, Seoul.
Bank of Korea, 110, 3-ka Namdaemun-ro. Chung-ku, Seoul. Tel: 7778611. Telex: 2232.
Economic Planning Board (EPD), Foreign Investment Promotion Division, 82-1 Sejong-ro, Chongro-ku, Seoul. Tel: 7203101.
Export-Import Bank of Korea, PO Box Central 4009, Seoul. Tel: 7783950/9.
Federation of Korean Industries, 28th Floor, Samilro Building. 10 Kwanchul-dong, Chongro-ku, Seoul. Tel: 7830821.
Japanese Chamber of Commerce, 111 Sokong-dong. Chung-ku, Seoul. Tel: 286672.
Korea Advertising Association, 145 Seolin-dong, Jongro-ku. Seoul.
Korea Broadcasting Ethics Committee, 76, 1-ga Taepong-ro. Chung-ku, Seoul.
Korea Chamber of Commerce and Industry (KCCI). 111 Sokong-dong, Chung-ku, Seoul. Tel: 7773031/42.
Korean Broadcasting Association, 76, 1-st Taepong-ro, Seoul.
Korean Exhibition Center, 65 Samsung-dong, Gangnam-ku, Seoul.
Korean Trade Promotion Corporation (KOTRA), PO Box Central 1621 10-1, 2-ka Hoehyun-dong, Chung-ku, Seoul. Tel: 7534181/9. Telex: 23659 KOTRA K, 27326K. Cable: KOTRA SEOUL.
Korean Traders' Association (KTA), World Trade Centre, Korea Building, 10-1, 2-ka Hoehyun-dong, Chung-ku, Seoul. Telex: 24265.
Ministry of Finance (MOF), 108-4 Soosong-dong, Chongro-ku, Seoul.
Ministry of Trade and Industry (MTI), 77-6 Sejong-ro, Chongro-ku, Seoul.
Seoul Chamber of Commerce and Industry, PO Box Central 25, 111 Sokong-dong, Chung-ku, Seoul. Tel: 7778031.

Information taken from Asia and Pacific Review published by World of Information, 21 Gold Street, Saffron Walden, Essex, England.

Time: GMT + 9hrs;
Climate: Winters are dry and very cold with temperatures well below 0°C from Dec to Feb; summers are hot and humid, with monsoon rains, tropical storms and occasional typhoons from June to Sept.
Entry requirements: The regulations are liable to change at short notice and should be checked before departure.
Passport: Required by all except certain UN personnel and seamen.
Visas: Not always necessary for non-business visits, provided onward tickets are held. For stays longer than 90 days, visas must be obtained in advance. Evidence of local means of support and a letter of invitation from a local business may be required.
Visas must be used within six months of date issued. Visas are also required for some internal travel, such as to Cheju Island.
Health: Immunisation is not mandatory, but vaccination certificate for cholera advisable. Hepatitis is endemic.
Currency: It is illegal to import/export Won, which is not convertible outside Korea. Foreign currency is not restricted, but must be declared on arrival and departure. Exchange receipts should be retained.
Customs: Personal effects admitted free of duty. High-value items (cameras, watches, etc) should be recorded in passport to ensure re-export. Visitors may be liable for import duty and tax on items lost or stolen while in the country. Apply for customs clearance prior to importing an automobile. A certificate from the Cultural Properties Preservation Bureau is necessary for exporting antiques.
Permission for trade imports or exports must be obtained from the Ministry of Commerce and Industry or from authorised foreign exchange banks, and certain items may be restricted or prohibited (such as ginseng and cuttlefish).
Income Tax: Visitors staying longer than 183 days are liable for tax (36-55% with no allowances) on assessed earned income and allowances arising both in Korea and overseas; a tax clearance certificate is required on departure.

Air access
National airline: Korean Air.
Other airlines: Air France, Ansett Airlines, Cathay Pacific, China Airlines, JAL, KLM, Kuwait Airways, Lutfthansa, MAS, Northwest Orient, Pan Am, Saudia, Singapore Airlines, Thai International.
International airports: Kimpo International (SEL), 26 km from Seoul, duty-free shop, restaurant, bank, hotel reservations, car hire, shops; Kim Hae International (PUS), 27 km from Pusan; Cheju International (CJU), on Cheju Island.

Surface access
Overland access is not practicable.
Main ports: Pusan, Inchon, Masam, Ulsan.

Main towns
Seoul (pop 9,204,344* in Nov 1984). Pusan (pop 3,395,171*). Taegu (pop 1,958,812*). Inchon (pop 1,220,311*). Kwangju (pop 843,465*). Taejon (pop 800,000). Chonju (pop 410,000). Masam (pop 424,000). Ulsan (507,000). Pohang (pop 245,000). Yeosu (175,000).

Transport
Air: Korean Air operate daily services between Seoul and Pusan, Taegu, Cheju, Ulsan and Kwangju, with less frequent services to other centres. Expect to be searched for firearms when embarking on internal flights.
Roads: First-class highways link major centres;; This network is under continual improvement but off the major routes roads are poor and unmetalled.
Buses: Several lines operate express intercity services along motorways. City buses, though cheap and convenient, are crowded. Payment is by token, and there are no English-language signs, timetables or conductors.
Rail: All main towns are linked by railway; notices and booking service at main stations often in English. Many trains have sleeping and dining cars.
Underground: Seoul and Pusan are both developing underground metropolitan transport systems. A subway system runs from the Seoul Railway station to Chongnyagni. NE of the city.
Taxis: Registered taxis carry meters and are clearly marked on the roof. Taxis are plentiful, and available at ranks, by telephone or can be hailed. Call taxis are more comfortable than small taxis, but more expensive.
Standard fares for shorter distances, sharing is common and tipping is unusual. In Seoul and Pusan, light brown-coloured taxis are rated better, but are more expensive.
Taxi drivers suspend use of meters for journeys outside town, so negotiate the fare for such trips in advance. It is advisable to carry written instructions in Korean if possible.
There is still a curfew in coastal areas from 2400-0400, so taxis are more difficult to hire as midnight approaches.
Car hire: International driving licences are acceptable, but chauffeur-driven car hire is recommended in the main cities.
Pusan: Young Nam Rent-A-Car, 78-22 Jungang-dong, 4-ka, Chung-ku. Tel: 441400, 445000.
Seoul: Avis Rent-A-Car, c/o Cosa Liebermann, 264-2, Hannam-dong, Yongsan-ku. Tel: 7981981. Telex: 23411.
Chung Ang Highway Lines, 167-18, Hwayang-dong. Tel: 4623611.
Hertz Rent-A-Car, 76-24, Hannam-dong, Yongsan-ku. Tel: 7950801. Telex: 23533.
Korean Rent-A-Car. Tel: 7980801.

Travel information:
Korea Automobile Association, 1, PO Box 2008, Seoul.
Korean National Tourism Corporation, 3/F Kukdong Building, 60-1, 3-ka Chungmu-ro, Chung-ku, Seoul. Tel: 2617001/6. Telex: 28555.
Korea Tourist Association, 9/F Kyongwun Bldg., 70, Kyongwun-dong, Chongro-ku, Seoul. Tel: 7242702.

Hotels
Book hotels well in advance, especially in spring and autumn. Western-style hotels include a 10 per cent service charge in the bill. Tipping is not usual, although it is on the increase in Western-style hotels. Main hotels accept major credit cards, but check when booking which ones are accepted for settlement of hotel bills.
Pusan: Pusan Tourist, 12 Tong Kwang-dong, 2-ka Chung-ku (tel: 23-4301; telex: 53657).
Commodore Dynasty, 743-80 Yungju-dong, Chung-ku (tel: 44-9101; telex: 53717).
Phoenix, 8-1 Nampo-dong, 2-ka Chung-ku (tel: 22-8061/9); telex: 53704).
Westin Chosum Beach, 737 Woo 1-dong, Haeundae-ku (tel: 72-7411; telex: 53718).
Seoul: Ambassador, 186-54 Changchung-dong, Chung-ku (tel: 261-1101, 269-6111; telex: 23269).
Garden, 169-1 Dowha-dong, Mapo-ku (tel: 713-9731/9, 713-9441; telex: 24742).
Hamilton, 119-25, Etaiwon-dong, Yongsan-ku (tel: 794-0170/9; telex: 24491).
Hilton, 395, 5-ka, Namdaemun-ro, Chung-ku (tel: 753-7788; telex: 26695).
Hyatt, 747-7 Hannam-dong, Yongsan-ku (tel: 798-0061/9; telex: 24136).
King Sejong, 61-3, 2-ka, Chungmu-ro, Chung-ku (tel: 776-1811 telex: 27265).
Koreana, 61, 1-ka, Taepyung-ro, Chung-ku 100 (tel: 720-9911/20; telex: 26241).
Lotte, 1 Sokong-dong, Chung-ku (tel: 771-10; telex: 23533).
Olympia, 108-2 Pyung Chang-dong, Chongro-ku (tel: 725-5121/5; telex: 23171).
Palace, 528 Banpo-dong, Kangnam-ku, 134 (tel: 532-0101, 532-5000; telex: 22657).
Plaza, 23, 2-ka, Taipyung-ro, Chung-ku (tel: 711-22; telex: 24424).
President, 188-3 Eulchi-ro, 1-ka, Chung-ku (tel: 753-3131 telex: 27521).
Royal, 6, 1-ka, Myung-dong, Chung-ku (tel: 771-45; telex: 27239).
Sheraton Walker Hill, 21 Kwangjang-dong, Sungdong-ku (tel: 444-8211; telex: 28517).
Shilla, 202, 2-ka, Jangchung-dong, Chung-ku (tel: 233-3131; telex: 24160).
Westin Chosun, 87 Sokong-dong, Chung-ku (tel: 771-05; telex: 24256).

Craft work is alive and well in rapidly modernising Korea. An artist at a cultural village near Seoul.

Medicare for travellers

Pain threshold kept low

A SLIP on an icy or wet pavement causes a broken bone or a cut needing stitches. Far from home, it's a worry for any business traveller, even if insurance will cover the cost of treatment.

In many countries the level of medical expertise leaves a lot to be desired, but a minor accident hardly requires repatriation home, disrupting one's business trip and incurring more costs.

In Seoul the afflicted traveller need not fear if this correspondent's experience is any guide. A broken finger was the problem, incurred after a fall on a wet, slippery footpath. A trip to the international clinic at the Severance hospital in Seoul was the answer.

The hospital, well known to taxi drivers, is attached to Yonsei University as a teaching institution. Its international clinic treats most foreigners resident in Seoul. On arrival at the second floor office (follow the signs from the main entrance) you will be assigned a personal file and an English-speaking nurse.

She will pilot you around the building, in my case from doctor to X-ray department, to plaster cast department and eventually to the cashier.

On arrival without an appointment, waiting time before seeing a doctor was a surprisingly low 45 minutes. Subsequent appointments were on time. Although the hospital corridors are thronged with patients and their families, the procedure seems to work remarkably smoothly. Like Seoul traffic, it remains on the move, without anyone quite understanding how.

An atmosphere of cheerfulness and courtesy pervades the hospital, perhaps because of Koreans' legendary toughness and ability to survive. Be prepared for a straightforward approach from the doctor—his English may not be quite up to an English style bedside manner as far as gentle treatment goes. However, I felt no pain.

Finally, the financial damage. Two consultations with the doctor, two sets of X-rays, some dressings and medicine to reduce swelling came to a total of 50,000 won (£36), not an unreasonable amount.

One thing defeated the hospital. On the injured finger I was wearing two rings at the time of my accident. My finger was so inflamed they could not be removed. After much head scratching, the doctor could only suggest that I went to a jeweller to have them cut off.

Somewhat apprehensively, I did so. A young man expertly and gently snipped them off, and insisted on soldering them back together again, at no charge.

Maggie Ford